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WHICH ACCOUNTING SOFTWARE IS RIGHT FOR YOUR BUSINESS?

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INTRODUCTION

Small businesses face an overwhelming selection when it comes to choosing an accounting program. The comfortable duopoly between MYOB and Reckon has become a surging field with half a dozen or more contestants. These software companies are investing millions to build the next generation of accounting technology.

This INTHEBLACK eBook is the definitive resource for small business owners and accountants who want to understand the options in online accounting software, the idiosyncrasies and the ambitions of the companies behind them.

Some apps stand out for their ease of use, encouraging owners to understand how their business works and how to improve it. Others have invested in mobile apps that can create and send your invoice before you leave the client's office.

It's important to note that online accounting (aka cloud accounting) programs differ in capability from their desktop software counterparts. Traditional features such as inventory may be slightly underpowered in online apps, for example. But online software has an increasingly powerful card up its sleeve – it can connect to a much broader range of online

business apps and services. That can greatly extend the functionality of the core accounting program.

Lastly, take note of the software companies' visions – this race is still being run. New cloud accounting programs are coming to market, and the existing software companies are locked in a highly competitive arms race that will drive feature development at a ferocious pace beyond the end of this decade.

This eBook was revised in November 2016. For the latest developments in online accounting software, subscribe to the INTHEBLACK newsletter.

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CHAPTER 1

INTUIT

This US powerhouse is not yet Australia's most famous accounting software name, but it is building out its already-impressive feature set.

Intuit, the undisputed champion of small business accounting software in the US with more than 80 per cent of the market, has its sights set on global conquest. The company reported it had 1.4 million QuickBooks Online (QBO) subscribers in May 2016, including 255,000 outside the US. The countries it is targeting include India, France, Brazil, the UK – and Australia.

Why Australia? The most obvious answer is that Intuit is taking the fight to Xero in its home territory, just as New Zealand-headquartered Xero ramps up its assault on the US. Intuit has hired a senior executive from eBay to run the Australian operations and built up a local team of more

than 80. Initially, Intuit tried a variety of tactics to lasso a chunk of market share, including dropping the price to A$5 a month. Now it appears to have settled down to play the long game.

Taking on the local champ

QuickBooks Online has always been a well-featured product. It includes all the must-have features for an online accounting app: customisable invoices; a comprehensive mobile app that also takes payments and photos of receipts; the standard mix of reports; and a growing ecosystem of third-party applications.

QBO is a very solid choice for accountants and bookkeepers in terms of power and functionality. Bank reconciliation, which in the past was a bit clunky, now suggests auto-coding based on how other QBO users have categorised the transaction. This is a standout feature.

The ability to lodge a BAS electronically – also due in 2016 – will replace the current slightly complicated process. Intuit has invested in improving the reporting engine with a face lift, better usability, customisation and the addition of financial statement reports.

The mobile app – arguably the most heavily featured in the field – has been upgraded to handle bank reconciliation and will soon have time tracking and switching between companies. Multi-factor authentication security has also been added to the mobile and browser software.

In a “Back to the Future” move, Intuit brought out desktop programs for Mac and Windows in March 2016 that sync with the cloud app.

While its software is very good, Intuit’s biggest problem in Australia remains a lack of brand awareness. Intuit has opted for a more grassroots approach than the big-budget marketing campaign used by Xero, but it will take a while to disassociate QuickBooks’ history with Reckon and establish Intuit in its own right.

The QBO software comes in three editions: Simple Start (A$15/month), Essentials (A$25/month) and Plus (A$35/month). Intuit continues to discount frequently with up to 30 per cent off the Plus plan.

Another incentive is a free data migration service for businesses moving from QuickBooks Desktop, MYOB or Xero software to the top two QuickBooks plans.

QuickBooks Online has a well-developed app ecosystem in the US and is quickly building up its Australian partners.

Where Xero limits users on its entry-level Starter plan to a maximum of five invoices and five bills per month, QBO's Simple Start plan allows for only a single user – but they can send an unlimited number of invoices. Access for an accountant or bookkeeper is included in all plans.

A long list of features is reserved for the top two plans, including managing or paying bills, multi-currency, user access controls, sending remittance notices and creating expense receipts, and so on.

The Essentials plan can be used by up to three people simultaneously and is suitable for a services business. It also adds more reports (40, compared with 20 for Simple Start).

The Plus plan is recommended for a retail or project-based business such as construction. It adds inventory, purchase orders, budgeting, online time sheets for employees and subcontractors, billable hours per customer and tracking sales by office location for multi-site businesses. The number of reports jumps to more than 65, and it can be used by up to five people simultaneously.

In December 2014, QBO added ABA files, which schedule electronic bank payments. This means a business can enter bills and schedule payments to be made later by downloading an ABA file and uploading it to their online banking screen for approval.

QBO has the most powerful payroll of all the online accounting apps, thanks to a special relationship with KeyPay, a specialist payroll app. Unlike a standard add-on integration where the user is redirected to another online program, Intuit includes KeyPay's features within QBO itself.

QBO users can also pay an extra fee per employee to access a sophisticated wage calculator that takes into account award rates, time of day or night, weekday or weekend hours. It's worth noting that users are in effect billed by two companies. Intuit includes free payroll for up to 10 employees and passes on KeyPay's charge of A$4 per additional employee each month. For that, you get an industrial-strength payroll app, but it might be overkill for some small businesses.

What about apps?

QBO has a well-developed app ecosystem in the US and is quickly building up its Australian partners. The Australian QBO add-ons number well over 200 apps in sales and marketing, operations, productivity and finance and accounting. E-commerce apps such as Shopify, BigCommerce, VirtueMart, PrestaShop, Square and OpenCart automatically create invoices in QBO for sales made through an online store. A range of time tracking and mileage apps adds more detail to billing in QBO through custom time sheets, location and customer tracking.

The finance and accounting category contains reporting and forecasting tools such as Fathom and Spotlight Reporting, receipt processing apps including Shoeboxed and Receipt Bank, and a range of debt collection aids. Recent additions relevant to accountants include MyWorkpapers, Crunchboards and Common Ledger.

QuickBooks Online is a strong contender for Australian businesses.

STRENGTHS INCLUDE:

Big app ecosystem, powerful payroll features, improved reporting and bank reconciliation

CHAPTER 2

SAASU

One of the most developed packages available, Saasu offers especially handy features for online retailers. It has shown a surprising ability to keep up with the bigger players.

When it comes to cloud accounting software, no-one has been doing it longer in Australia than Saasu. The company was founded in 2000 by husband and wife Marc and Emma Lehmann, and Grant Young. It was the same year that Intuit launched QuickBooks Online in the US. Marc Lehmann saw the opportunity while he was a principal trader and vice-president of Deutsche Bank. During the bank's transition to online trading, he saw piles of receipts on traders' desks and realised an online accounting system dedicated to automation could save them many hours of work. Small and medium businesses would also be natural customers for automated accounting software.

Fast-forward 16 years and Saasu is a profitable Australian online accounting software company, with an estimated customer base of more than 20,000 businesses. While enjoying real success, Saasu has also had to endure unfavourable comparisons to Xero's rocket ride. Detractors pointed out that Saasu wasn't selling as quickly, it wasn't attracting the same numbers of accountants and bookkeepers and had a slower pace of development.

Despite this, Saasu has stuck to its business plan and built a very strong product – one that has proven to be a reflection of its CEO, Marc Lehmann, a quiet achiever who follows a minimalist philosophy in business and life. Lehmann has deliberately avoided large capital raisings to hire masses of developers and fund glitzy marketing campaigns. Built with A$5 million in founder and seed capital, Saasu offers a lean yet powerful accounting program used by sole traders to mid-size companies with global operations.

No-one has been doing cloud accounting software in Australia longer than Saasu.

What it does

Saasu has a complete feature set, although its priorities have differed from its rivals'. The company has a strong niche of online retailers, and its roadmap has a bias toward supporting those businesses.

For example, Saasu's bank feeds include fast coding, bank rules and integration with PayPal. The PayPal integration is particularly useful for e-commerce retailers, a key market for Saasu. The cloud app has been designed to scale with high-volume online businesses and can handle higher numbers of transactions than competing programs. It also handles 50 foreign currencies for retailers selling overseas, an increasingly common scenario.

Another retailer-friendly feature is Saasu's highly capable inventory module. It can track kit and bundle combinations, serial numbers, multiple locations and expiry dates. It auto-flags refill levels when supplies of an item run low and can run voucher promotions.

In comparison, Xero didn't release its inventory module until late 2014, and Reckon and MYOB are yet to add this feature to equivalent browser-based programs, although MYOB's hybrid program, AccountRight Live, has a comparable inventory function.

Invoicing is done well, with customisable designs and a sequence that moves from estimates to orders to sales. Saasu has added online

invoicing, so customers can pay a Saasu business via PayPal, eWay, Stripe or Braintree.

Saasu was one of the pioneers in building an ecosystem of third-party apps, mainly through software integrator OneSaas. In recent years, it has not attracted the same diversity as QuickBooks Online and, to a lesser extent, Xero. However, early in 2016 it connected to Zapier, the largest integration platform with more than 500 apps.

Saasu can send data on customer contacts, invoices, purchases and items to a range of CRMs, databases and email marketing tools. Zapier was one of the most common feature requests from users and it has proven popular.

A surprising new addition is subscription billing. The complex maths behind recurring billing is usually beyond small business accounting apps. Instead, you need to use a third-party program such as Chargify or Rerun. Rather than paying for another app or shifting up to an enterprise resource planning (ERP) package, Saasu users can store credit card details and charge them every month or by some other period.

How is Saasu different?

Saasu software has light functions of a customer relationship management (CRM) program. Users can assign tasks to staff, such as following up prospects, reminders for project invoice dates or attaching documents for client approval. These activities and notes are tracked by client.

Users can create custom lists of customers and tag them by geography, industry or other interest area. They can then run reports to benchmark and compare sales frequency and volume. Xero added a similar feature last year called Smart Lists.

Saasu includes payroll with automatic tax calculations, basic time sheets and pay officer approval for pay runs. Annual tax table updates are included free of charge and users can set up multiple pay runs to pay staff at different times.

In 2014, Saasu added a fast global search function, which uses intelligence to auto-correct or suggest alternative search terms to find information faster. Its purpose is broader than search; Saasu intends it to be used as a primary navigation tool.

The software also has cash flow forecasting, which shows the amount of cash a business can expect to have on hand if it collects invoices and pays bills on time.

Saasu users can pay invoices to online suppliers at competitive exchange rates through integration with online currency trader OzForex. A new mobile app (Android and iOS) launched in November 2015 was a big upgrade. It can invoice and quote on the go, look up contacts and make calls and add expense receipts. A dashboard is the next big addition.

What are its drawbacks?

If Saasu has a weakness, it's that it's less appealing for sole traders and business owners unfamiliar with accounting software. Xero, MYOB and Intuit have softened their interfaces and terminology to attract businesses that use Excel to manage their finances. This huge market relates more to modules called Bills and Invoices rather than Accounts Payable and Receivable.

As well, Saasu can't match the hundreds of developers employed by Intuit, MYOB, Xero and the like, so it has to pick its projects more carefully. Improvements to the interface don't happen as regularly, although Saasu has just had another big round of improvements.

While Saasu does lack the bells and whistles of a Xero, Marc Lehmann has chosen features such as subscription billing and strong inventory that distinguish it from the competition.

Cost

Saasu starts at A$15 a month and includes 1000 transactions a year and three bank feeds for a sole trader. A business needs to upgrade to the A$40-a-month medium plan to add multi-currency, a basic inventory and payroll for up to 20 employees. It also has a 20,000 annual transaction cap.

The large plan (A$70 a month) adds capacity for 40 employees, 40,000 transactions a year, advanced inventory, consolidated P&L (profit and loss) and a KPI report builder.

The extra-large plan (A$180 a month) handles 100,000 transactions a year and 100 employees. Saasu has around 60 add-on programs, with e-commerce solutions the most popular.

Saasu's goal remains the same – to build a powerful, simple system without too much complexity. It's as close as you can get to an ERP without actually being an ERP, and for a much lower cost.

STRENGTHS INCLUDE:

Online commerce features, inventory module, customisable invoicing, subscription billing, cash flow forecasting

CHAPTER 3

MYOB ESSENTIALS

MYOB Essentials is designed specifically for sole traders and micro-businesses, so how does it stack up against Xero and others?

MYOB has been Australia's number one choice for small business accounting software for most of the past two decades. Yet in 2010, it was facing its greatest challenge – how to maintain its position as a market leader as software delivery and data storage started migrating to the cloud.

Rather than put its weight into one program to take on new competitors such as Xero and Saasu, MYOB decided to fight the war on two fronts. The first was to "cloudify" its flagship desktop program MYOB

AccountRight, where the logic and data are stored in the cloud but retain the familiar interface.

The second was to release a leaner, browser-based accounting program that was similar to Xero, QuickBooks Online and others. Initially called MYOB LiveAccounts, the program was renamed and "refreshed" as MYOB Essentials.

There are three parts to the Essentials accounting program: a feature-limited "starter" version, a version for sole traders and a more feature-rich version with payroll.

The Cashbook program has been relaunched as Connected Ledger, which is used for cash coding for BAS compliance. Businesses can pay directly for Connected Ledger, but it is only available through accountants.

A killer feature for tradespeople and others who work out in the field is MYOB's mobile payments dongle.

The Essentials range is more than just a name change. It has a new user interface that is easier to use than LiveAccounts and includes bank feeds from BankLink, which makes bank reconciliation much easier.

The quality of BankLink bank feeds is a key point of difference that MYOB hammers home in any comparison. Almost every other cloud accounting program uses the US bank data aggregator Yodlee, which automatically logs into users' online banking accounts and copies the transactions to the general ledger.

BankLink uses proprietary techniques to weed out errors in the bank feeds, such as omitted and duplicated transactions. MYOB claims BankLink feeds are accurate to 99.9999 per cent, far better than Yodlee's 99.8 per cent. MYOB guarantees its quality: if you are unhappy with the feed, you can reclaim 30 days of your subscription.

MYOB has improved the sophistication of its bank rules by adding "and/or" rules. Accountants can bulk code and recode in the transactions screen.

What it does

MYOB Essentials contains the basic building blocks: banking transactions and reconciliation, sales, expenses, contacts, payroll and reports. Several neat features help it stand out from the crowd.

One innovative idea designed to improve workflow is the feature called smart bills, which automatically scans accounts payable invoices emailed or dragged into Essentials. The program uses the same technology as a scanner (optical character recognition or OCR) to read the text in an invoice and identify important numbers such as GST, total cost, supplier invoice number, date of issue, and so on.

This cuts down on the manual entry of invoices, although it's wise to check the results as OCR is not always 100 per cent accurate. Smart bills now draws on the coding actions of all MYOB users to help improve accuracy in individual files.

A killer feature for tradespeople and others who work out in the field is MYOB's mobile payments dongle. The MYOB PayDirect card reader plugs into an Apple or Android smartphone or tablet and takes credit card and EFTPOS payments on the spot. Invoices paid through PayDirect are automatically updated in Essentials. PayDirect has

MYOB wants you to buy the more expensive AccountRight series to manage stock.

also moved to online invoices, which allows customers to pay MYOB businesses directly.

MYOB Kounta, a cloud-based point-of-sale app, is another family product that ties into Essentials. Sales made on an in-store iPad can be recorded directly into MYOB's cloud accounting program.

The integration creates a single invoice that combines the various income, payments and adjustments to represent a single period of trade corresponding to a finalised takings report in Kounta. Each exported takings report will balance out to A$0 outstanding and will update the necessary credits and debits in sales income, cash in, cash out, clearing and balance accounts.

Essentials has a smattering of add-on programs that add extra features, although the modest list of connecting programs is a tiny fraction of Xero's library and MYOB's long list of software extensions for its long-established desktop software.

Two categories worth mentioning are third-party apps for trades and e-commerce. The former includes Tradify and ServiceM8, and the latter, BigCommerce, Shopify and (in-store) Kounta.

What are its drawbacks?

Essentials lacks a number of features that you'll find in competing products. It's not set up to deal well with multiple users. There are no user roles that control access to sensitive information such as payroll or employees' bank account details.

Essentials also misses out on inventory, as MYOB wants you to buy the more expensive AccountRight series to manage stock. That is understandable for a micro-business but the omission of tracking or class categories is disappointing. It makes tracking expenses and revenue by project a little harder.

MYOB's payroll functionality is good enough for a small business but it's best suited for standard pay conditions and awards. In 2016, MYOB added an employee portal where employees can print their own payslips and enter times.

Essentials has also added ABA (Australian Bankers' Association) files to upload to financial institutions to automatically transfer funds for payroll, though not for suppliers. It may be old technology, but the ABA file is a real time-saver.

Essentials cannot make sales or source suppliers in foreign currency. Some of these limitations may soon disappear. MYOB has changed its

tune on Essentials; initially a lower-tier product, it will now be built out to the same set of features as AccountRight over time.

Cost

Essentials costs A$25 a month for Starter, A$35 per month for Accounting or A$45 a month for Accounting with payroll. The first two versions include payroll for one employee. Connected Ledger is A$18.75 for a business or A$15 wholesale.

Accountants will be happy to know that tax tables are included free of charge and are updated whenever there's a change by the Australian Taxation Office – no more sweaty upgrades during tax season.

STRENGTHS INCLUDE:

"Smart bills" with OCR for incoming invoices, mobile payments dongle, invoice integration

CHAPTER 4

XERO

The company has gone further than any other in turning your cloud accounting software into a true business platform. Its many add-ons adapt it to almost any sort of business.

Upon its arrival in 2011, Xero quickly established itself as a recognised brand in Australia. It has noisily contested the crown for cloud accounting software leader with MYOB and attracted a strong following among small businesses.

At the time of writing, Xero claims 717,000 businesses as paying customers; 315,000 are in Australia. While Saasu was first to market

with many features for browser-based accounting apps, Xero brought the big marketing budget and strategy to bring cloud accounting to small businesses en masse.

What it does

Xero covers pretty much all bases, including general ledger, quotes and invoices, bills and expenses, payroll with automated superannuation payments, and some light customer relationship management (CRM) features in contacts and financial reports.

The Xero mobile app takes photos of receipts, attaches them to expenses and saves it to Xero for approval – innovative when first released but now pretty standard. Another app called Xero Me (iOS and Android) will let employees request leave, check payslips and submit time sheets. Users can also attach documents to invoices, quotes and bills within the accounting program itself.

Xero has some unusual additions, such as an “assurance dashboard” that shows up common inconsistencies that could indicate fraud. It also has a key performance indicator (KPI) dashboard, although it is more of a novelty beside dedicated apps such as Fathom, Spotlight Reporting and Crunchboards.

Xero users can set up automated invoice reminders that email late-paying customers at intervals set by the user.

Xero has also led the way in building a large community of connecting cloud applications. More than 500 apps now extend the feature set of the base accounting program, making it easier to automatically share invoices, contacts and other data. While desktop accounting software certainly had integrations with other programs, the depth and breadth of the Xero ecosystem sets it apart.

Drawbacks

Xero had long been criticised for lacking an inventory feature, so it added a basic inventory module in March 2015. Businesses that require more advanced inventory control and real-time stock and order management must use a third-party add-on.

Xero has no tax pooling in the general ledger, although it exists in Xero Tax.

Although BankLink may have offered bank feeds for many years, Xero made them much easier to use and automated them with auto-coding bank rules. It was the first to include bank feeds on the bank reconciliation screen, which is now a standard feature of online accounting software.

A third-party data aggregator called Yodlee supplies some bank feeds, such as credit cards. These are Xero's biggest weakness, as the feed sometimes contains errors, missing or duplicated transactions or

a wandering decimal point. (All vendors use Yodlee or similar services for feeds, apart from MYOB, which bought the far more reliable BankLink in 2013.)

Connected data

Xero, MYOB and Intuit all talk about turning your cloud accounting software into a business platform that pushes and pulls data from various sources automatically. In Australia and New Zealand, Xero is furthest to making this a reality.

For example, large retail chains such as Warehouse Stationery (in New Zealand) can send bills directly to Xero from their terminals. PayMark, an EFTPOS terminal manufacturer with 140,000 units in New Zealand, launched an app called Paypr that sends electronic receipts to Xero at checkout.

Xero is the only accounting software vendor with a cloud-based tax package

Xero has established a two-way data connection with NAB in Australia so that businesses can request a business loan from NAB within Xero. The business, which must already have a NAB bank feed, can approve Xero to send NAB a P&L and other reports from Xero directly to find out whether the bank approves the loan.

Xero Tax

Xero is the only accounting software vendor with a cloud-based tax package, Xero Tax. Accountants can use the app to import a trial balance from Xero and quickly map it to a tax return. It also pre-fills forms using data from the ATO.

Launched in Australia in May 2015, it now has more than 1700 firms and 9000 staff using it regularly.

Cost

The biggest complaint about Xero is the price. The standard plan with unlimited users costs A$50 a month, nearly double the price of some competitors. It only supports payroll for one employee, down from five in a recent pricing revision, which rankled users.

The premium plan, at A$60 a month, boosts payroll to handle five employees. It also adds multi-currency and automated superannuation. The premium plans climb from Premium 10 (10 employees, A$70 a month) to Premium 100 (100 employees, A$100 a month). Businesses

with more employees can pay A$2 for each one over 100, up to a hard limit of 200. Employees include anyone on the payroll, so contractors and part-time staff count to the total.

STRENGTHS INCLUDE:

Unbeatable depth and breadth of connecting apps, cloud-based tax package, now includes basic inventory

CHAPTER 5

RECKON ONE

Early missteps behind it, Reckon One is now being sold on its flexibility – and a lower price than the competition.

Reckon, the long-time distributor of QuickBooks desktop software, was once a comfortable number two to MYOB in Australia. That all changed in 2014 when Intuit, the US company that makes QuickBooks, took back the brand name and launched the cloud accounting program Intuit QuickBooks Online.

Reckon still sells the original QuickBooks desktop software under its own brand, Reckon Accounts, but the former distributor didn't take Intuit's move lying down. It decided to launch its own cloud accounting program in response, and so Reckon One was born.

Businesses may not realise this but Reckon has been making software for many years. Among other apps, it produces APS, a practice management suite for accounting firms that is deeply entrenched among the larger firms. The giant Deloitte runs its private accounting division on APS, for example.

Reckon One was initially launched in 2013 as a beta but only went into full release in June 2015. The delay was due to an unfortunate choice in software platform, which shortly after was abandoned by its owner Microsoft. This forced Reckon to rewrite the program from scratch. All that is behind Reckon now and it is selling Reckon One through the many accountants that recommended QuickBooks desktop software.

A business can add and pay for only as many modules as required, resulting in a very cheap program.

Reckon's big selling points

Reckon One's main selling point is flexibility. A business can add and pay for only as many modules as required, resulting in a very cheap program. Reckon's group chief executive, Clive Rabie, has said several times that businesses are being overcharged for their cloud accounting software. Reckon One is aiming to undercut the market. It is also the only program that can be put on hold. Seasonal businesses can turn off their subscription without losing their data until they start selling again.

Reckon One is also the only cloud accounting program that hosts all data in Australia, and this can be a comfort to businesses that feel nervous about offshore hosting.

One advantage of being the latest to market is design. Reckon One has one of the freshest designs compared to some of its competitors, still working on older interfaces.

What it does

Reckon One consists of a core accounting app and five optional modules for invoicing, bank data, projects, time and expenses, and payroll. The core (A$5 a month) covers the basic accounting functions such as reconciliation of bank statements, receipts and a limited number of payments, reports and budgeting for unlimited users.

The optional modules each come in three flavours: lite (A$3/month), medium (A$5/month) and advanced (A$7/month). Only the bank feed module has an advanced option at time of publishing. A business can customise its accounting app based on need. With all the bells and whistles, Reckon One tops out at A$32 a month.

The plans are configurable. A business could decide that it needed a medium invoices module (A$5 a month) to have an approvals process for sales and purchases, but stay on the lite module for bank data (A$3 a month).

Alternatively, a business could decide that it didn't need anything more than the core plus a high number of transactions through the bank data module. The highest listed plan stretches to 500 transactions (advanced module, A$7 a month) or you can contact Reckon for a custom plan.

Reckon is the only cloud accounting program that hosts all data in Australia.

The time and expenses module (A$3 a month for lite; A$5 a month for medium) tracks billable and unbillable time with time sheets. Time sheets can be tracked and time and expenses billed against a project or job, although this requires a subscription to the appropriate level of invoice and project modules.

The medium plans for some modules are only available if you have added one of the other modules. For example, to bill clients by project with the time and expenses module requires the projects module and invoices module.

The dashboard is one of the best on the market. It looks great and you can select the widgets you want and adjust the timeframe for displaying financial data.

Potential challenges

After a long incubation Reckon One released a payroll module in April 2016. The lack of payroll had been a deal-breaker for many businesses so it will be interesting to see the impact this critical feature will have on the program's popularity.

Reckon One's first brush with payroll is a good start but still behind the leading players; payment summaries and ABA files to pay employees are on the way.

One continuing issue is the lack of third-party programs. Almost all competing apps have ecosystems of third-party programs that can extend the usefulness of an accounting program in several directions. Reckon One has less than a handful of connected apps.

Still in the pipeline are multi-currency, an inventory module and a fixed asset module, all of which are available, to varying degrees, from its rivals.

Reckon One meets the demand for low-cost accounting software that does what it says on the tin. For micro and small businesses used to spreadsheets, it could be an easy step into the cloud.

STRENGTHS INCLUDE:

Flexible, budget-friendly, terrific dashboard

CHAPTER 6

SAGE ONE

Sage One is the youngest of the cloud accounting apps – and it's owned by Sage, the 600-pound gorilla of the industry. We examine the pros and cons of this new package to help you decide if it's right for your business.

Sage, the largest small business accounting software company in the world, is the latest to the cloud accounting party in Australia. The company launched a small business accounting program, Sage One, to take on MYOB Essentials, Xero and the like in May 2015.

The program has been on sale for several months in South Africa and the UK. Total customers worldwide are believed to be about 120,000.

Sage is relatively unknown in Australia and the US, although it is a household name in the UK. The company employs more than 13,000 and turns over UK£1.3 billion a year.

In Australia, Sage mainly sells accounting programs and CRMs for larger businesses, and accountants know it best for its HandiSoft software, used to manage the business needs of accounting practices.

Sage Australia is hoping HandiSoft accountants will recommend Sage One as a reliable and affordable accounting program to their small business clients. Sage head office sees the advent of cloud accounting software as an opportunity to replicate its UK success around the world.

The Sage plan is to split the small business market in a similar way to MYOB. MYOB Essentials and Sage One are aimed at the micro-business market. Although they both include payroll, they aren't intended to be used by companies with more than 10 employees.

Just as MYOB's cloud hybrid AccountRight Live is the big brother to MYOB Essentials, Sage launched a big brother to Sage One in some markets in July 2015. Called Sage Live, it will best suit companies already using the CRM Salesforce.com, with which it integrates natively as it is built on the same software platform. It is expected to arrive in Australia in 2017.

What it does

Sage One includes a dashboard – standard kit for cloud accounting programs, but it's intuitive and more flexible than most. It lets you reorder tasks to suit your preferences and create a favourites list for popular functions.

Inventory is another highlight. It suits a business looking for a simple way to track goods bought and sold, make adjustments and create custom fields.

For complexity, it matches other browser-based apps such as Intuit QuickBooks Online and Xero, while lacking the features depth of MYOB AccountRight Live. You can't reorder quantities or manage stock across several locations, for example.

Bank feeds come from global financial data aggregator Yodlee, source of most cloud accounting packages' bank data. MYOB uses the more accurate and locally developed MYOB BankLink.

However, if you are wary of handing over your bank login details to Yodlee, or are looking for a more reliable source of direct bank feeds, Sage One gives you the option of replacing them with feeds from SISS Data Services. SISS connects to the major banks and a few others; the direct feeds cost A$7 a month.

In the past year, Sage One has added multi-currency capabilities and time tracking.

Sage One's bank reconciliation screen is not as advanced as those of competitors. It doesn't do as good a job at automatically matching regular transactions through bank rules, a key feature in Xero.

Payroll

Another possible weakness is payroll. Australia's version of Sage One relies on a third-party cloud-accounting program, Sky Payroll.

Integrating with a dedicated payroll app does bring some benefits, however. Sky Payroll includes a deep set of features right out of the gate. It complies with all HR legislation, including superannuation, and employees can look up their own payslips and apply for leave through an employee portal, just like rivals Intuit QuickBooks Online and Xero. Sky Payroll even offers an outsourced payroll bureau as an additional service – they will pay your staff for you.

The downside is a second interface to navigate and the extra cost. The package allows free use of Sky Payroll by five employees; the sixth and extra employees cost A$2.20 a month each.

The add-on question

Sage One is so new to the market that it hasn't yet built up an ecosystem

of third-party add-on programs to extend the functionality of the core software.

There are just four integrations aside from Sky Payroll, although one is a clever tie-in to Sage's HandiSoft suite in Australia. HandiSoft accountants can import client transactions into HandiLedger and import clients' business activity statements (BAS) into HandiTax.

It's worth noting that Sage has invested heavily in mobile apps for its new cloud accounting app. In fact, it may have the most comprehensive representation of all vendors, with separate apps for Apple iPhone and iPad, Microsoft Windows Phone and Android devices.

Sage has also released an accountants' edition of Sage One, with customisable dashboards showing how clients are performing in real time. The dashboard comprises six widgets displaying bank account and credit card balances, profit and loss, scheduled tasks for the accountant to perform in the client's file, notes and high-level company information (financial year end, ABN, ACN, BAS frequency, tax number and so on).

Sage One costs A$15 a month, making it one of the cheapest on the market. A 12-month subscription is A$162.

It does have some unusual restrictions, however. The base subscription allows for two users; extra users cost A$3 a month each. Storage is also

calculated separately. Each company file includes 1GB of file storage, and each extra GB costs A$1.

Sage One is unique in charging for storage. Other software vendors don't reveal the requirements for a company file so it's difficult to know how much a small business might need.

Given that the average Word document or Excel file might be several megabytes, the average small business would be unlikely to add more than 1000 MB (1GB) in total each year.

STRENGTHS INCLUDE:

One of the cheapest on the market for basic features, HandiSoft integration, mobile apps

AT A GLANCE

Software Program	Pros	Cons	Cost
INTUIT	Powerful payroll features, improved reporting and bank reconciliation, OCR for bills and invoices, large app ecosystem	Bank rules for transactions are tricky to set up	Simple Start A$15/month, Essentials A$25/month, Plus A$35/month – often discounted
SAASU	Online commerce features, strong inventory module, custom invoices, subscription billing, cash flow forecasting	User interface makes life harder for non-expert users	A$15/month for up to 1000 transactions, A$40/month and above for inventory and payroll
MYOB	“Smart bills” with OCR for incoming invoices, mobile payments dongle	Lack of user access rules, no inventory or multi-currency abilities	Starter A$25/month, Accounting A$35/month
XERO	Swelling app ecosystem, cloud-based tax, now with basic inventory	Pricier than some others	Standard A$50/month, Premium A$60/month and up
RECKON ONE	Low cost, flexibility, good dashboard, now with basic payroll	Lack of third-party programs, no inventory module	A$5/month for core, plus modules
SAGE ONE	Cheap basics, HandiSoft integration, app range	Complex pricing, weak add-on ecosystem	A$15/month, extra users A$3/month, bank feeds A$7/month

CREDITS

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> IT IS NOT THAT I'M SO SMART. BUT I STAY WITH THE QUESTIONS MUCH LONGER.
>
> Albert Einstein

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