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■ SMALL BUSINESS ENTREPRENEUR

Face of small business accounting is changing

In the good old days, accountants loved to grumble about “shoebox” accounting. In Birmingham the term “Bruno briefcase” indicated a grocery sack full of accounting work, arriving disheveled for its monthly sorting, data entry, reconciliation and financial statement preparation.

Twenty years ago only the leading local firms were making forays into the world of desktop computers. Large mainframes were still relied upon to do the heavy accounting work, and it would not be unusual to find tax returns completed by hand.

Today we are living in an accounting world far removed from this relatively recent one.

The expertise required to compile a monthly set of financial statements has been written into many user-friendly programs that are rapidly taking the place of the “shoebox” accounting provided by accountants to small business owners.

The leader in the field is Intuit's QuickBooks Accounting Software.

Today QuickBooks has approximately 2 million users, 80 percent of whom have been in business more than three years. On average they have four employees and revenue approaching \$1 million.

They are the independent entrepreneurs of America's largest private employer, the small business owner.

Counting on QuickBooks

Gone are the days when small business owners had to wait until the 10th of the month for their monthly financial statements. QuickBooks users who let their software work for them have powerful financial information at their fingertips –



From My Perspective

Bruce H. Downs

instantly – at any point during the month.

Want to know how this week compared to last week? Would you like to export the first quarter's performance to Excel and work out a budget for next year? How about tying in electronically to your bank balance?

QuickBooks will let you do all that *and* reconcile your account in the middle of the month. You can download your employees' company credit card activity for this week with payee data and much more. It's easy, reliable and is available in real time.

Accountants comfortable with the “shoebox” method often dislike QuickBooks. Their common complaint is “When I prepare this year's financial statement, last year's numbers have changed.”

QuickBooks uses one massive accounting period. Unless a special utility to “lock” accounting periods is used, all data ever entered in QuickBooks is available for correction. Hence, when a delinquent bill is received and the operator selects accuracy over accounting prudence, the bill can be entered and become a part of last year's accounts payable, thereby changing last year's earnings and balance sheet.

This fluidity in prior results is inconsistent with the concept of closed periods. Users of QuickBooks have come to love the ease with which a prior-period error

can be corrected and are not as entrenched in “closings” as accountants are. The paradigm shift is from historical to real time.

Innovation and functionality

Two players, QuickBooks and Peachtree, dominate the market for small business in-house accounting. QuickBooks is favored by more than 70 percent of buyers because of its ease of use, frequency of innovation and “intuitive” appeal. Designed with flow charts called navigators, QuickBooks guides the user through all basic accounting functions and even some pretty sophisticated ones like Internet connection, purchase order systems and invoice estimation.

Once QuickBooks is installed, it constantly monitors QuickBooks.com for any updates required to keep the program fully current. QuickBooks has the ability to easily modify reports by date, accounting basis and content, and virtually any report in QuickBooks is drill-down ready.

The user can get to the root transaction with a point and a click, often correcting an error on the spot and automatically regenerating the report. All reports also can be exported directly to Excel. One of QuickBooks' strongest and least utilized features is its integration with both TurboTax and ProSeries tax software programs.

With a little planning and proper programming, the year's transactions can be instantly downloaded into either one of these excellent tax programs.

A user who works toward the exploita-

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tion of this special functionality will be rewarded at tax time with an easy year-end for both the user and the user's accountant.

Intuit issues a new release of QuickBooks every year, so while the software costs \$200, the upgrades make it seem more like an annual subscription of about \$150. The upgrades are generally worth it, with innovations being added each year.

The 2001 version of QuickBooks added the ability to send invoices and estimates by e-mail and the ability to set price levels for customers.

QuickBooks offers a Web-based version, but at this writing it does not seem quite "ready for prime time." The Web or ASP version presently has no integrated payroll, job costing or purchase order function.

Additionally QuickBooks desktop files are not currently convertible into the ASP.

The ASP program is becoming more viable as the availability of high-speed Internet connection expands and Intuit adds new features.

Complete QuickBooks functionality and conversions will come to the ASP version eventually. When they do, the benefits of remote backup, mobility of log-in and access for other parties (especially accountants, consultants and tax professionals) will make the ASP the path of the future.

Conclusion

In the last decade QuickBooks has led the migration of the small business owner's accounting information from the accountant's back office to the owner's desktop.

QuickBooks assists the small business owner from pillar to post, or portal to portal.

Small business owners who are savvy and seek education regarding QuickBooks functionality will reap the most benefit and be in position to better grow and guide their businesses.

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