



IS YOUR ONLINE **ACCOUNTING** **SOFTWARE** THE RIGHT FIT?

MEASURING THE POWERS OF INTUIT,
SAASU, MYOB ESSENTIALS, XERO,
RECKON ONE AND SAGE.



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.

Software companies have committed to ensure ease of use, encouraging owners to manage their own finances, understand how their business works and how to improve it. Online accounting software typically includes a mobile app that can create and send your invoice before you leave the client's office, tap into banking transactions, and snap and record expenses, all from your smartphone.

It's important to note that online accounting (aka

cloud accounting) programs frequently don't have the same capability as desktop software, especially in more specialised functions such as inventory. However, online accounting software connects to a wider range of third party online business apps and services. These apps add extra functions, provide faster business loans, or chase unpaid customer invoices. Apps like these are the new normal.

Regulatory compliance is also very different. Where users had to update desktop software manually, cloud software updates tax tables automatically.

Lastly, take note of the software companies' visions – this race will never be won. The software companies are driving internal feature development at a ferocious pace and harnessing new technologies such as artificial intelligence.

This eBook was revised in October 2018. For the latest developments in online accounting software, subscribe to the INTHEBLACK newsletter at intheblack.com/subscription.





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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.



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 2.8 million QuickBooks Online (QBO) subscribers in February 2018, including 630,000 outside the US. It operates in more than 11 countries and is targeting Canada, France, Brazil, the UK – and Australia.

Why Australia? This is only a relatively small market and already well serviced with other products. The most obvious answer is that Intuit is taking the fight to Xero in its home territory. Intuit has intensified its Asia-Pacific operations and built up a local team of more than 80. Initially, Intuit is aggressively wooing new users in Australia by dropping its price to

A\$5 a month and running television ads direct to business owners. The company is determined to establish itself in Australia, whatever the cost.

TAKING ON THE LOCAL CHAMP

QuickBooks Online has always been a well-featured product since it is heavily based on the desktop product (and has many inherent legacy features). It includes all the must-have features for an online accounting program: 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. Many bookkeepers prefer QBO to Xero simply because it has a bank reconciliation feature; Xero has done away with that, relying on accurate bank feeds and a manual check to the bank statement.

The ability to lodge a BAS electronically is not yet available in QBO. Unlike Xero, where the process is virtually seamless, in QBO it remains clunky and many users falter when navigating the manual recording process. Intuit has invested in improving the reporting engine with a facelift, better usability, more customisation and the addition of financial statement reports.

The mobile app – arguably the most heavily featured in the field –

STRENGTHS INCLUDE

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

handles virtually all functions and some limited reporting. Multi-factor authentication security has also been added to the mobile and browser software.

More recently, Intuit brought out a stand-alone app, Self-Employed, targeting contractors and freelancers. It provides functionality to record mileage, snap and store expense receipts and invoice customers. It will provide a screen shot to enable BAS lodgment. It is somewhat basic in its functionality and does not connect to QBO yet.

Intuit has also provided a platform for accountants and accounting practices called QuickBooks Online Accountant.

DRAWBACKS

While its software is very powerful, Intuit's biggest problem in Australia remains a lack of brand awareness coupled with its international image.

Intuit remains the only software company that does not have a high percentage of Australian customers in its customer base. This is evident in generic functionality such as fixed asset pooling.

In the US, Intuit heavily focuses on its Turbo Tax software for accountants and the tax functionality in its Self-Employed app. The same quality of tools is not available to Australian accountants and the Self-Employed app here is limited to providing BAS data.

COST

The QBO software comes in three editions: Simple Start (A\$15/month), Essentials (A\$30/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,



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

MYOB or Xero software to the top two QuickBooks plans. (Xero offers a similar service.)

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 and it does include 10 payroll employees. However, supplier bills, creating remittance advice and expense receipts and multi-currency only come into the Essential version. Purchase orders and inventory are reserved for the Plus version. Access for an accountant or bookkeeper is included in all plans. QuickBooks Online has a well-developed app ecosystem in the US and is quickly building up its Australian partners.

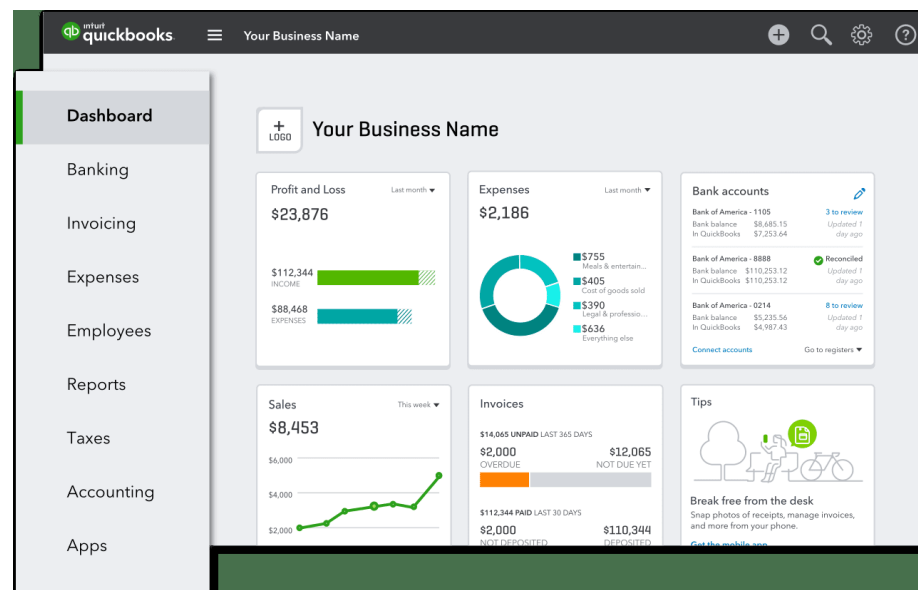
The Essentials plan can be used by up to three people simultaneously and is suitable for a services business. It also adds more reports

(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.

ABA files, which schedule electronic bank payments, are now supported for paying suppliers and employees. 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 seamless access to KeyPay 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 industrial-strength payroll software, but it might be overkill and therefore too complex for some small businesses.

The user interface is slightly different and payroll reports are located within KeyPay rather than the main reports menu, but this is a small price to pay for a payroll solution that covers all Australian Awards and complies with Fair Work Australia and ATO requirements.

WHAT ABOUT THIRD PARTY APPS?
QuickBooks Online has long had a well-developed app ecosystem in

the US and the number of Australian partners has grown rapidly. There are now more than 260 apps across sales and marketing, operations, productivity and finance and accounting. E-commerce apps such as Shopify, Bigcommerce, WooCommerce, 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 AutoEntry, Entryless and Receipt Bank, and a range of debt collection aids. Recent additions relevant to accountants include MyWorkpapers, Futrli and Common Ledger.

QuickBooks Online is a strong contender for Australian small businesses.



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 18 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.

More recently Marc Lehmann has reaffirmed his dedication to minimalist technology by advising that Saasu will only be available to businesses in the Australian tax zone from March 2018. And later this year Saasu will launch a new international accounting app, designed for sole traders, micro businesses, consultants, contractors and early stage e-commerce – focusing on the smaller end of the small business market.

Unlike its competitors, Saasu remains a private company (Pty Ltd). It doesn't get distracted by shareholders and share prices and has more flexibility in direction and satisfying the vision of its creators.

STRENGTHS INCLUDE

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



**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 towards supporting those businesses.

For example, Saasu's bank feeds include integration with PayPal, which 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 it certainly doesn't come close to the functionality available in Saasu. 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 or 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.

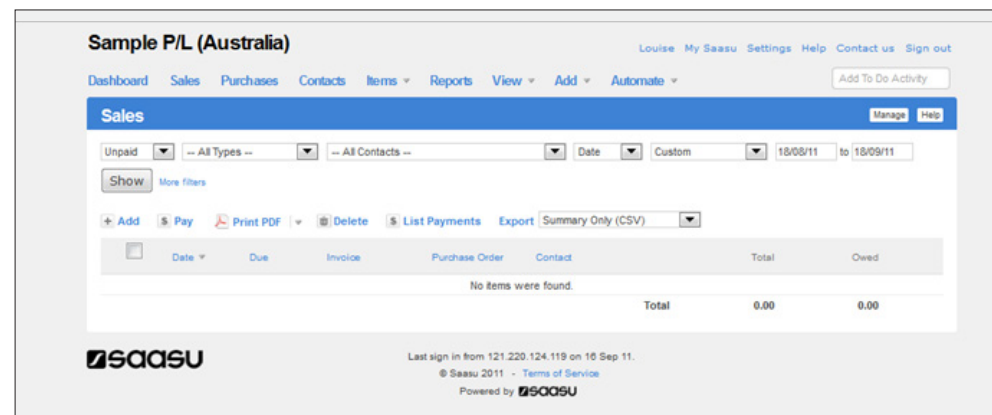
Saasu includes payroll with automatic tax calculations, basic time sheets and pay officer approval for pay runs. Annual tax table updates are included and users can set up multiple pay runs to pay staff at different times.

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.

WHAT ARE ITS DRAWBACKS?

If Saasu has a weakness it is that it's less appealing for sole traders and business owners unfamiliar with accounting software. Overall the user



interface is less intuitive than that of many of its competitors, although terminology has been improved over the years.

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. Functionality enhancements are not as regular or as comprehensive.

The number of accountants and bookkeepers familiar with Saasu is much smaller than that of its competitors so it can be difficult for a business to source professional assistance.

Currently Saasu does not have a fixed asset module; workarounds are suggested but they remain fairly manual.

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 to carve out a niche market of loyal followers.

COST

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

The large plan (A\$70/month) adds capacity for 40 employees, 40,000 transactions a year, advanced

inventory, consolidated P&L (profit and loss) reporting and a KPI report builder.

Saasu has about 60 add-on programs, with e-commerce solutions the most popular. This increases to more than a thousand when going via the integrators OneSaas and Zapier.

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 enterprise resource planning (ERP) software without actually being an ERP, and for a much lower cost.

Saasu announced in 2018 that it would be refocusing its business from making accounting software for SMEs to releasing accounting mobile apps for micro-businesses and sole traders. Saasu will continue to serve existing customers in Australia. "In business you must destroy your mothership and keep creating new, better versions. It is the essence of innovation," writes Saasu CEO Marc Lehmann in the blog post announcing the transformation.



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 versions of the Essentials accounting program – differentiated by the number of transactions and employees. The “starter” version allows just five invoices and one payroll employee; the sole trader version has unlimited transactions and one payroll employee; and the Unlimited Payroll version has no limits on employees. A business can move up the scale as necessary.

The Essentials range 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 a mix of direct feeds from banks and the US bank data aggregator, Yodlee, which automatically logs into users' online banking accounts and copies the transaction 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.

STRENGTHS INCLUDE

**“Smart bills”
with OCR
for incoming
invoices, mobile
payments
dongle, invoice
integration**

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.

MYOB has several of its own generic apps that will work with an Essentials solution. A killer feature for tradespeople and others who work out in the field is MYOB's mobile payments dingle.

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 also moved to online invoices. Customers can pay directly from an emailed invoice with MasterCard or Visa.

The MYOB Invoices app is a cut down version of MYOB Essentials that works on a smartphone or tablet



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and allows for invoice generation and tracking, payment of expenses and contact management.

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.

MYOB PayBy is a secure payment solution to accept payments from customers and pay suppliers.

The number of third party add-on programs that integrate to Essentials has expanded considerably over the past couple of years. There are now

more than 60 available including some favourites such as Unleashed for inventory, Receipt Bank for bills, as well as many CRM and e-commerce solutions.

MYOB wants you to buy the more expensive AccountRight series to manage stock, work with multiple currencies, raise purchase orders and manage project revenue and expenditure.

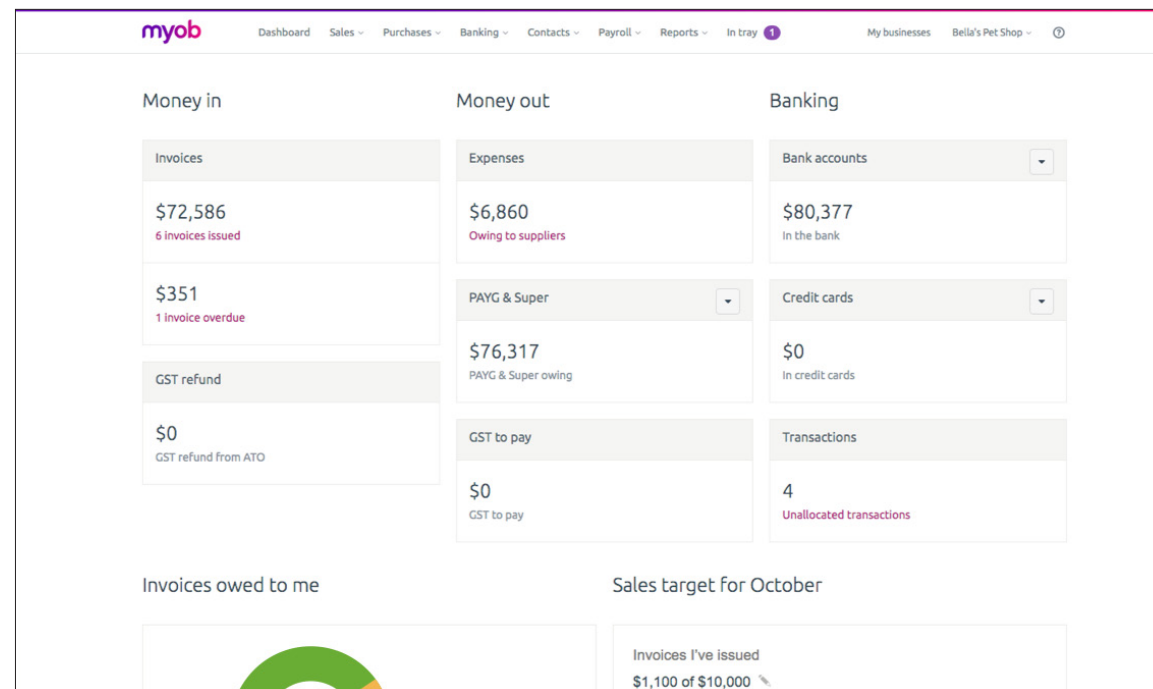
WHAT ARE ITS DRAWBACKS?

Essentials lacks a number of features that you'll find in competing products.

It's not set up to deal well with multiple users as there are no user roles that control access to sensitive information such as payroll or employees' bank account details.

Essentials also misses out on other key features including supplier purchase orders, stocked inventory, job tracking and class categories (used to track expenses and revenue by project) and multi-currency.

MYOB's payroll functionality is adequate for the types of micro businesses that need basic



functionality without the bells and whistles required by more complex businesses. In 2016, MYOB added YourPay, an employee portal available as a mobile app where employees can print their own payslips and enter timesheet hours but not leave requests or print payment summaries.

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 common method to make payments and is a real time-saver.

This product is firmly positioned at the micro end of the small business market and for businesses with simple business models. For anything outside that range you either need to look at one of the other products or consider buying the feature-rich and more complex AccountRight series.

COST

MYOB Essentials costs A\$25/month for Starter (five invoices and 25 bank transactions), A\$40/month for MYOB Essentials Accounting Payroll for one (with unlimited invoices and bank transactions) or A\$50/month for MYOB Essentials Accounting with Payroll (with unlimited payroll employees). The first two versions include payroll for one employee. Connected Ledger is A\$18.75 for a business or A\$15 wholesale.



Xero

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

While Saasu was the first to the Australian market, Xero was hot on its heels and with a big marketing budget, vision and strategy quickly established itself as a recognised brand. It has attracted a strong following among small businesses and, more recently with the delivery of Xero HQ, as the platform of choice for accounting practices to manage all aspects of their clients' accounting lives.

At the time of writing, Xero claims 1.2 million businesses as paying customers. While Xero is used internationally, almost half its paying customers are in Australia. This is significant as it ensures that Xero reacts fast and positively to changes in Australian regulatory requirements.

WHAT IT DOES

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

The Xero Expenses mobile app takes photos of receipts, attaches them to expenses and saves it to Xero for approval – innovative when first released but now quite standard. Users can also attach documents to invoices, quotes and bills within the accounting program itself. Xero has arguably the most comprehensive functionality in bank rules – it allows

for minus amounts as well as positive.

Another app called My Payroll (iOS and Android) will let employees request leave, check payslips, submit timesheets, amend employment details and print payment summaries.

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 Futrli.

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

Xero has an excellent audit trail. You can look at any transaction and

STRENGTHS INCLUDE

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

see who changed what and when. Xero (and Saasu) is one of the few programs to include Simplified BAS reporting. One of the best features in Xero is the Find & Recode function that enables advisers to make global changes across a range of transactions. (Intuit has this functionality but it doesn't handle Australian GST.)

In 2017 Xero launched a Projects module, initially included in the subscription price but it will eventually be charged separately. The functionality is currently very rudimentary; you need to re-enter a lot of data to each project.

Xero markets its software primarily through accountants and has focused on ensuring a quality finance solution for the Australian marketplace. It has more specialised features including



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

fixed asset pools that are not usually found in other small business accounting software products.

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 has pushed other software suppliers to match it.

DRAWBACKS

Xero delivered 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.

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

A third-party data aggregator, Yodlee, supplies bank feeds for financial institutions that have not partnered with Xero for bank feeds. Xero is adding monthly direct feeds from smaller banks but many credit unions are via Yodlee feeds. These are Xero's biggest weakness as they don't always have the same level of reliability

as direct feeds have. (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 has made the most progress in 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 includes payment services that give customers the option of paying invoices online with six providers including PayPal, Stripe and

eWay. Invoices include a “Pay Now” button to assist customers to expedite payment.

XERO TAX

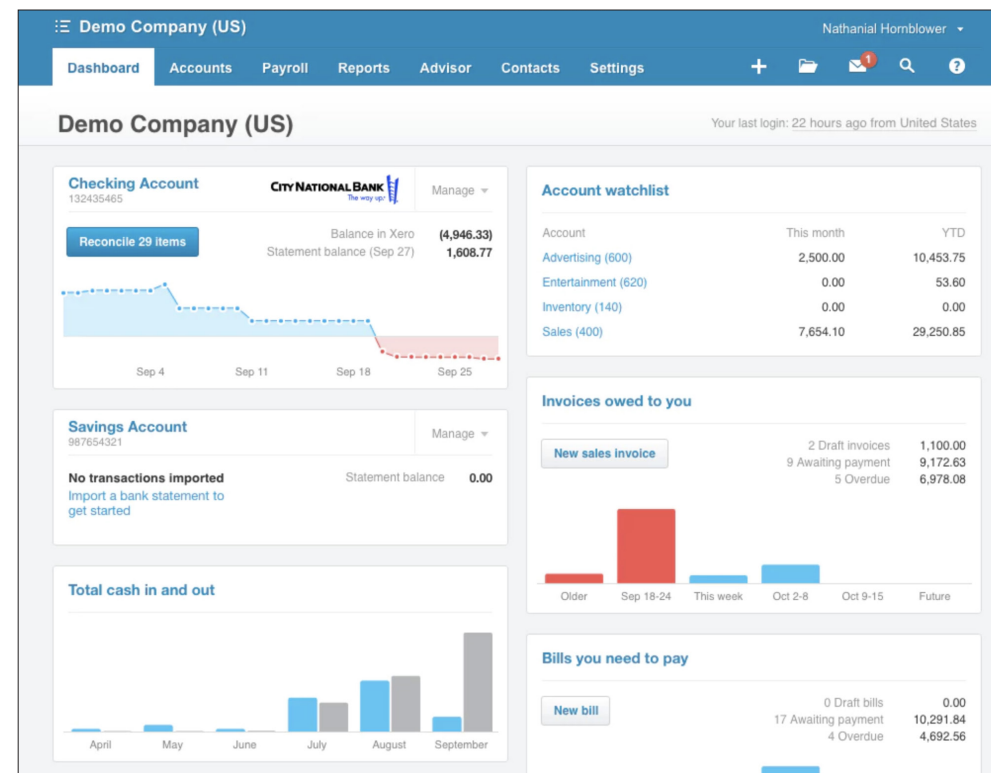
Xero is the only accounting software vendor with a cloud-based tax package, Xero Tax.

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

Xero is definitely the most expensive software. It has never discounted on price and remains the only cloud accounting software provider to increase its prices. The Standard plan with unlimited users costs A\$50/month (which only supports payroll for one employee), which is nearly



double the price of some competitors.

The Premium 5 plan provides better value; at A\$60/month, it boosts payroll to five employees, adds multi-currency and automated superannuation. The premium plans climb from Premium 10 (10

employees, A\$70/month) to Premium 100 (100 employees, A\$100/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.



Reckon One

Early missteps behind it, Reckon One is now being sold on its flexibility – and at 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 develops QuickBooks, took back the brand name and launched its cloud accounting program, QuickBooks Online, in Australia.

Reckon still sells the original QuickBooks desktop software rebranded as Reckon Accounts. It also launched its own cloud accounting program, Reckon One.

A beta version of Reckon One emerged in 2013 but it 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. This put Reckon seriously behind its competitors in terms of functionality. In the past couple of years it has taken big strides to bridge the gap. Reckon is now energetically selling Reckon One through the many accountants that recommended QuickBooks desktop software.

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 potentially 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,

STRENGTHS INCLUDE

**Flexible,
budget-friendly,
terrific
dashboard**



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

projects, time and expenses, and payroll. The core (A\$5/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/month.

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

The time and expenses module (A\$3/month for lite; A\$5/month for medium) tracks billable and unbillable time with timesheets. Timesheets 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.

Users need to carefully check which

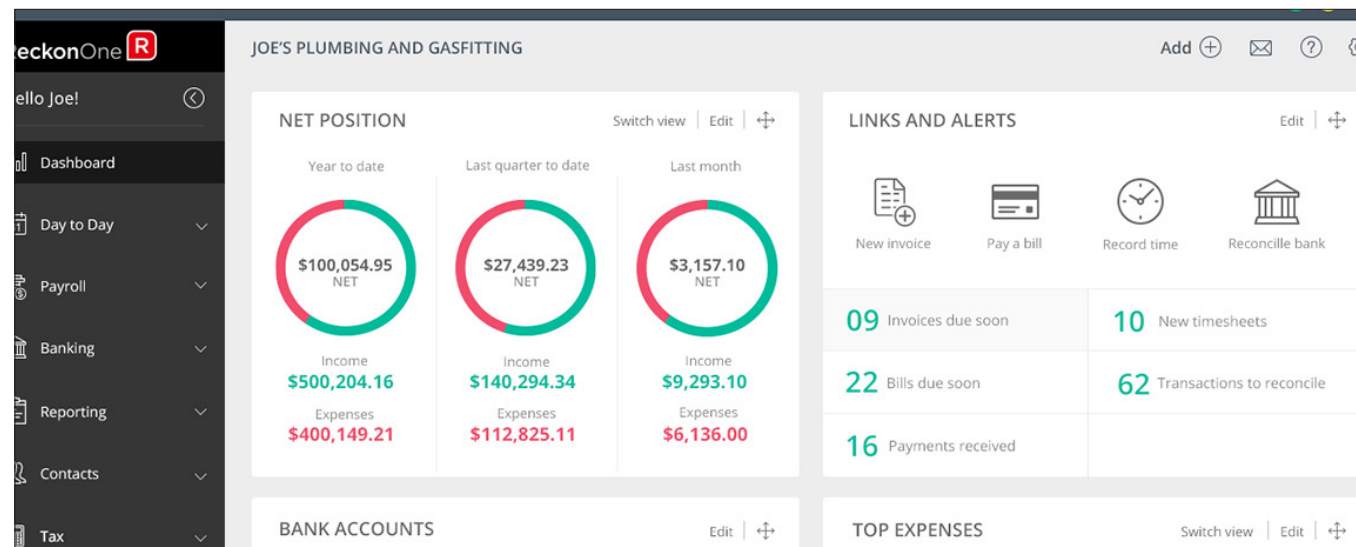
functions they require as some are well hidden. Frequently businesses that use Reckon One are very price sensitive and can be disappointed to discover later that they need to pay an extra \$2 a month to include a service date on a customer invoice. The dashboard is one of the best and most comprehensive on the market. It looks great and you can select the widgets you want and adjust the timeframe for displaying financial data.

The projects/job costing module in Reckon One is a major differentiator. Where Xero has recently introduced a very rudimentary version, the Reckon One module is fully embedded in the software and draws extensively from the desktop model. You can cost employees' time and all supplier expenses to a project and include them in the customer invoice. Project reporting is limited but with a P&L by project, a business can easily see how it is tracking.

DRAWBACKS

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 but the solution is reasonably solid. Unlike both QBO and Xero, it is native to the product and allows costing of employee hours to projects. Payments to super funds is not as seamless as Xero, but a big plus is that it provides both INB (individual non-business) and ETP (employee termination payment) summaries – businesses have been screaming for ETP functionality in Xero for many years.

One continuing issue is the lack of third-party programs. All of Reckon's competitors have ecosystems of third-party programs that can extend the usefulness of an accounting program in several directions. Reckon One currently has just 11 connected apps. This means that users cannot count on a third party app to add extra functions.



Features 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 invoices don't include links for customers to pay invoices online. Nor can you customise the layout of invoices.

BAS reporting is functional but it would have been nice if Reckon had moved away from using the

somewhat cryptic tax codes seen in the desktop software – e.g. NCG for expenses with 10 per cent GST.

Reckon One meets the demand for low-cost accounting software that does what it says on the tin and its crisp and clean user interface makes it a relatively pain-free experience for the new user. For micro and small businesses used to spreadsheets, it could be an easy step into the cloud.

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



Sage Business Cloud Accounting

Sage Business Cloud Accounting (previously named Sage One) is the youngest of the cloud accounting apps – and it's owned by Sage, the 600-pound gorilla of the industry.

Sage, the largest small business accounting software company in the world, is the most recent entry 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.

In late 2017 Sage rebranded its business accounting software under the moniker Sage Business Cloud. Sage One became Sage Business Cloud Accounting. Other products in the series include Sage Business Cloud Financials, Sage Enterprise Management and Sage Business Cloud People.

Although they share a family name, Sage sells two accounting programs built on different foundations. Sage Business Cloud Accounting is a home-

grown accounting SaaS program built entirely by Sage.

Sage Business Cloud Financials is built on top of the same software platform as Salesforce.com. It targets slightly larger small businesses that need analytics and multi-dimensional accounting. Sage has created an upgrade path to help users migrate from Sage Business Cloud Accounting to Sage Business Cloud Financials.

Sage Australia has resisted a big-budget marketing campaign like Xero ran. It is relying on HandiSoft accountants to recommend Sage Accounting as a reliable and affordable accounting program to their small business clients. Coming late to a reasonably mature and saturated marketplace, however, Sage hasn't been able to replicate its

UK success in Australia.

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

WHAT IT DOES

Sage Business Cloud Accounting opens with a customisable workspace that lets the user re-order tasks to suit their workflow and priorities. It includes a dashboard – standard kit for cloud accounting programs, but it is intuitive and more comprehensive and flexible than most.

Like other small business software, Sage Business Cloud Accounting

STRENGTHS INCLUDE

Comprehensive suite of modules and functionality, excellent customisable dashboard

has a basic inventory module which suits a business looking for a simple way to track goods bought and sold, make adjustments and create custom fields. It also allows for service items but does not include bills of material, multiple locations, stock reordering or fast stocktakes. This is on par with small business accounting software, but Sage lacks the myriad of third-party apps to provide a more advanced inventory.

Bank feeds come from global financial data aggregator Yodlee, a global supplier of bank data to most cloud accounting packages. MYOB uses the more accurate and locally developed MYOB BankLink, and both Xero and QBO have an ever-increasing number of direct partner feeds.

However, if you are wary of handing over your bank login details to Yodlee or want more reliable 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.

Within the core modules of the product, there is a comprehensive array of functions. Customer transactions include quotes and recurring invoices. Suppliers include purchase orders, returns and adjustments. While multi-currency is supported, the software can't produce ABA files for supplier payments. A separate app lets you customise customer invoices.

The bank reconciliation process in Sage Business Cloud Accounting is similar to QBO. However, it does not include bank rules and remains a fairly manual process.

Surprisingly for a package targeting small businesses, none of the reports is available on a Cash basis, only Accrual. Opportunities to customise standard reports are limited with no option to save customisations.

Additional features in the software include budgets, time tracking, and analysis codes.



Sage is the largest small business accounting software company in the world

PAYROLL

Sage has followed the same path as Intuit for payroll in Sage Business Cloud Accounting. Rather than develop an Australian version it has embedded a third-party cloud-accounting program, KeyPay.

Integrating with a dedicated payroll app does bring benefits. KeyPay includes a deep set of features right out of the gate. It complies with all HR legislation including superannuation and Single Touch Payroll. Employees can look up their own payslips and apply for leave through an employee portal.

This does mean there is a second interface to navigate but the solution is 100 per cent compliant with all statutory requirements and is up to date with current tax rates – a good solution for an overseas software supplier.

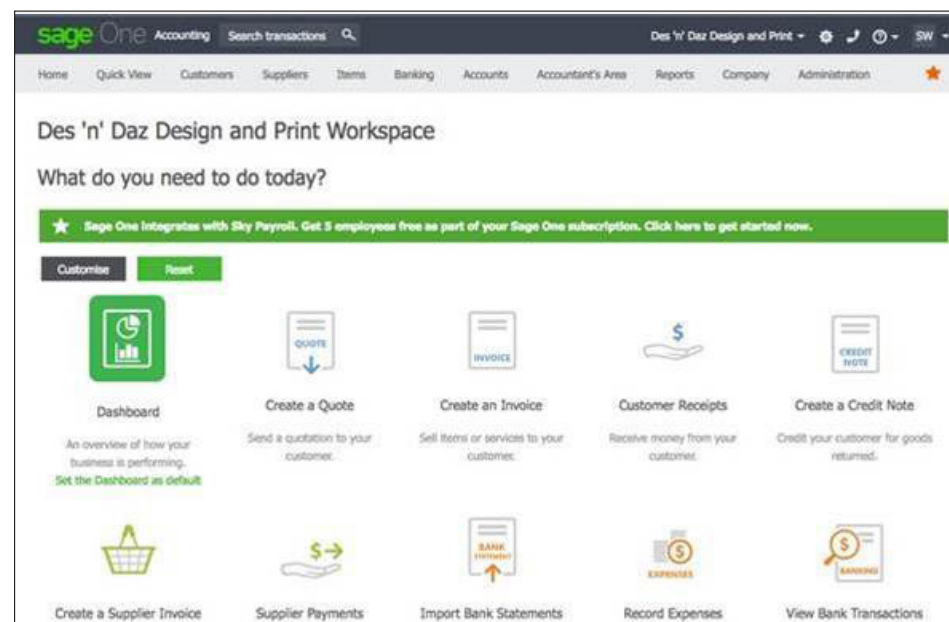
KeyPay replaces SkyPayroll (provided by Elmo Software), the original third-party payroll app included since the Sage One days. The majority of Sage Business Cloud Accounting's existing users are using SkyPayroll, but all new users will use KeyPay.

THE ADD-ON QUESTION

Sage Business Cloud Accounting has not built up an ecosystem of third-party add-on programs to extend the functionality of the core software. There are fewer than 10 third-party apps that integrate with Sage Business Cloud Accounting.

Possibly this is by design, to encourage businesses to move upwards along the Sage path rather than outwards with third-party extensions. Sage Business Cloud Financials has a native integration with Salesforce.com's CRM as well as enhanced reporting and analytics.

Similar to other accounting software suppliers, Sage Business Cloud Accounting has mobile apps for Apple iPhone and iPad, and Android devices.



Sage has also released an accountants' edition of Sage Business Cloud Accounting with customisable, automatically updating dashboards that show how clients are performing. 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 Business Cloud Accounting costs A\$20 a month with a 10 per cent

discount for a 12-month subscription.

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 Business Cloud Accounting is unique in that it charges 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 megabytes (1GB) in total each year.

At a glance

Software Program	Pros	Cons	Cost
INTUIT	Powerful payroll features, powerful report customisations, traditional bank reconciliation, large app ecosystem	Not so focused on delivering Australia-specific features	Simple Start A\$15/month, Essentials A\$30/month, Plus A\$35/ month – often discounted
SAASU	Online commerce features, strong inventory module, 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 ESSENTIALS	A solid solution for simple micro businesses backed by MYOB's expertise	Lack of user access rules, no inventory or multi- currency abilities	Starter A\$25/ month, up to Unlimited payroll A\$50/month
XERO	Swelling app ecosystem, cloud-based tax, comprehensive functionality	Pricier than others. Payroll not fully compliant with Fair Work and ATO	Starter A\$25/month, Standard A\$50/month, Premium A\$60/ month and up
RECKON ONE	Low cost, flexibility, good dashboard, comprehensive projects module	Lack of third-party apps, no inventory module	A\$5/month for core, additional modules can take it up to A\$32/ month
SAGE BUSINESS CLOUD ACCOUNTING	HandiSoft integration. Readily customisable dashboard	Weak add-on ecosystem. No cash basis reporting	A\$20/month, extra users A\$3/ month, bank feeds A\$7/month

Written and edited by Sholto Macpherson, an analyst in online accounting software and editor of DigitalFirst.com, a blog on developments in accounting technology. Margaret Carey also contributed to this report.

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