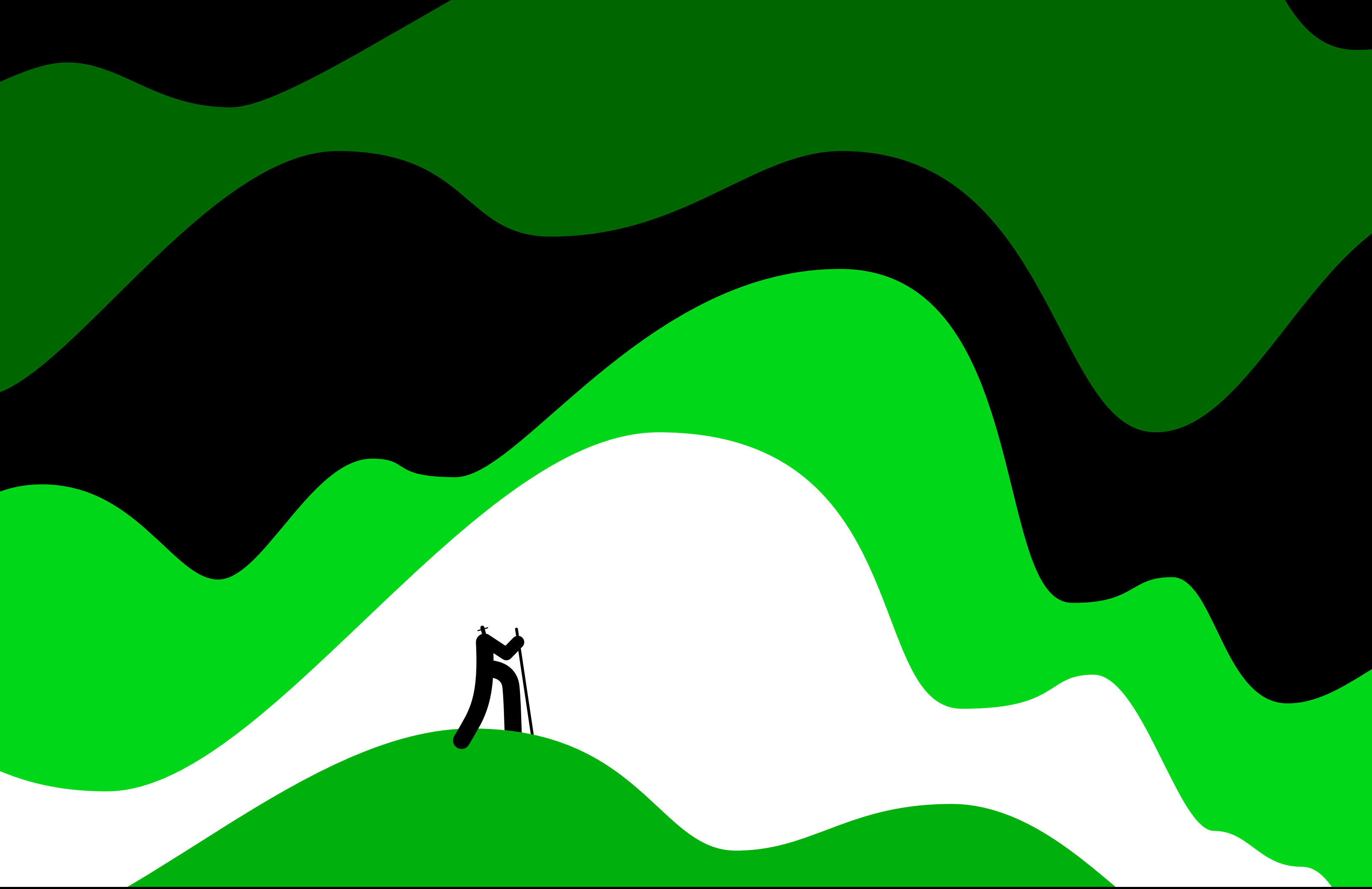

White paper

The Hidden Costs of QuickBooks

Why now is the time to graduate to modern accounting software

Sage

Vision33

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Executive summary

Most small businesses begin their financial lives using Intuit's QuickBooks, which— with more than 80% market share—is by far the best and most popular small business accounting application. It's well known. It's easy. It works, and it offers the functionality a business needs when it's starting out.

But if your business has moved beyond the entry level, your organization may be facing a number of challenges as you hit the limits of QuickBooks' functionality. QuickBooks simply wasn't designed to provide professional financial management capabilities to growing organizations with sophisticated, evolving demands that require more and better visibility into financial and operational performance—such as automating key processes, providing anytime, anywhere access, enforcing internal controls, customizing functionality, and integrating with other critical applications.

How do you know when it's the right time make the move? Which options should you consider? What are the hidden costs of waiting? How can you measure the costs against the benefits?

This paper outlines a framework to help your organization assess the hidden costs of continuing to use QuickBooks along with the financial upside of switching to a modern financial management and accounting system, and will help you:

- Decide the best time to switch from QuickBooks to a more robust, cloud computing-based system
- Identify the hidden costs of continuing to use QuickBooks
- Evaluate the available alternatives, a solution that will grow with your business needs
- Compare the cost of the status quo with the benefits of switching

Understanding the costs of the status quo

Organizations accustomed to spending extra time managing workarounds in QuickBooks may not even realize the number of inefficiencies getting in the way of doing day-to-day business. These inefficiencies become ingrained in the day-to-day operations of the business. And because there's no immediate cash outlay, doing nothing may seem like the only option—or at least the most cost-effective option. But the reality is: if you're using QuickBooks you're incurring a broad range of hidden costs.

Identifying the pain points and the hidden cost to your business

A study by the largest independent CPA firm in California, Armanino, found these factors consistently slow down the monthly accounting process:

- Over-reliance on manual, paper-based processes
- Lack of integration between financials and other business critical applications
- Decreased staff productivity as a result of inefficient and lack of automated processes
- Inadequate data and lack of insight into the business

This study corresponds with the main bottlenecks that QuickBooks users identify as their organizations began pushing the limits of the functionality built into QuickBooks:

Continuing to rely on error-prone, inefficient manual processes

“Errors caused by manual processes and a lack of control resulted in $180,000 of improper expense reimbursements within a six-month period.”

Manual processes are a fact of life with QuickBooks. Unfortunately, they increase the probability of duplication and data entry errors—making it difficult to gain an integrated, real-time financial view of a company’s end-to-end operations.

Putting up with impaired financial visibility from information silos

“How do I import customer or der data into QuickBooks? I currently spend many hours manually creating invoices in QuickBooks, and there should be a better way.

Most companies don’t integrate QuickBooks with other key business applications. It’s very common to see lots of manual integration points between systems in companies using QuickBooks—which may be fine when volumes are small, but is a real productivity killer as the business grows. Finance organizations must manually research, re-enter, and verify data that’s already captured elsewhere at the cost of lost productivity, data entry errors, and revenue leakage—making it virtually impossible to gain a 360 degree view of the overall business.

Increasing inability to handle growing data volumes

“QuickBooks continues to crash… and I lose all payroll data …forcing me to re-enter data for 350 hourly employees….”

A few of the tell-tale signs for organizations outgrowing QuickBooks are an increasing number of menu and screen delays, the length of time it takes to print reports, trouble with querying, reporting, or other aspects of the software. Most companies find that, as the size of the QuickBooks file increases, the system becomes sluggish as it’s tasked to crunch increasing amounts of data. This critical limitation may restrict capabilities and force users to periodically close the program to maintain data files. Even worse, this shortcoming can produce potentially disastrous results—system crashes and the loss of crucial data, resulting in wasted time re-entering data.

Using spreadsheets to manage complex processes outside the system

> “After spending over one week sifting through massive spreadsheets, we discovered that we had a calculation error in how we had been recognizing revenue for the past 3 years!”

Organizations with sophisticated accounting requirements, such as revenue recognition and job costing, often find the need to develop workarounds because QuickBooks doesn’t provide the built-in capabilities for these complex processes. To solve these deficiencies, finance organizations will often export data to multiple spreadsheets, set up dummy accounts, and ultimately create additional journal entries to be entered each month—or even develop homegrown applications for recording revenue or expenses outside of the system. These workarounds can lead to duplicate entry errors or reports based on incorrect or stale data, introduce inefficiencies into the process, consume additional time and resources, lack control and compliance, and create another source of information outside your financial system.

Despite its popularity as a business application for small business, QuickBooks simply wasn’t designed for growing organizations that need advanced functionality to manage sophisticated processes. To accurately forecast upcoming business opportunities and plan proactively, organizations managing complex business processes need an overarching view of company operations—to identify process gaps as well as areas of strength. Limiting collaboration, not providing adequate controls over data, and lack of integration can all delay strategic decision making and obstruct growth oriented business management.

Letting technology do the heavy lifting

Eliminating the expensive, old-school options
Just a few years ago, organizations outgrowing QuickBooks faced a difficult decision. Purchasing, installing, and running traditional mid-market financial software, such as Microsoft Dynamics, is a huge and risky investment. It involves purchasing servers and databases, hiring IT staff, engaging specialized consulting services to help with customization, and making an ongoing multi-year commitment to operating and managing complex software. The upfront costs can easily run hundreds of thousands of dollars, and a large number of projects actually fail.

Thus the cost and risk of graduating from QuickBooks has traditionally been high, resulting in too many businesses staying with QuickBooks and dealing with its limitations longer than they should.

Moving financial management to the cloud
Cloud computing changes everything. You've probably read about cloud computing —and you've used it if you've ever searched on Google, purchased something on Amazon, or if your firm already uses web-based payroll, email, or CRM.

A new generation of cloud computing-based financial software has entirely changed the dynamics of graduating from QuickBooks; with cloud computing the vendor takes on all the information technology cost and risk. All you need is a web browser and an Internet connection—no need to invest in technology, servers, software, or IT.

So QuickBooks' limitations drive the need for companies to graduate to a more robust system, and cloud computing takes the cost and risk out of moving to an updated financial system. As they outgrow QuickBooks' capabilities, organizations should consider a cloud-based system that delivers best-in-class financial and accounting functionality, and offers

Anytime, anywhere business visibility
- Access to real-time data and processes available anytime, anywhere with a web browser and Internet connection—offers unprecedented access to users inside and outside your organization.
- Flexible reporting with built in multi-dimensional architecture, delivers accurate and timely reports with relevant insights into data.
- Role-based dashboards deliver real-time global and local visibility into the state of the business—to the right stakeholders at the right time—providing deep insights into business performance.

Increased productivity
- Extensive integrations with leading applications enable organizations to easily, costeffectively assemble an interoperable system of best-in-class applications, providing the best solutions for your business needs.
- Easy user defined workflows automate, control, and streamline processes as needed to optimize processes throughout the organization.

Scalability
- Scalable architecture grows with evolving business needs.
- Multi-ledger system delivers scalability and control for high-volume, high-transaction businesses.
- Multi-scenario planning drives business performance and management, and enables storage of an unlimited number of budgets, forecasts, and other relevant reporting formats.:

Understanding all your savings

Measuring the true cost of continuing to use QuickBooks
Despite the inefficiencies and hidden costs of continuing to use QuickBooks, when faced with the cost of change now vs. the cost to postpone, many organizations conclude it's more cost effective to keep what they have.

While this might have been true before—when the only option was to switch to expensive on-premises software like Microsoft Dynamics or Sage—today's cloud computing-based systems are extremely cost effective. In fact, the time you save—just from automating critical processes and eliminating spreadsheets—can often more than pay for the entire cost of moving to the new system, typically in just a few months.

You can prove this for your own organization by comparing the full costs and productivity implication of continuing to use QuickBooks with the same factors for a new cloud-based financial management system. Thousands of organizations like yours have already made this comparison, and invariably the answer is that graduating to cloud-based financials results in a tremendous, positive ROI.

Comparing apples to apples
Here's how you do it. As shown in the following example, the cost comparison in Table 1 provides a snapshot of the relative costs for a US-based company with 75 employees, annual revenue of $10M, and locations in the UK and India to run QuickBooks vs. a cloud financial application over three years:

Sample ROI (QuickBooks vs. cloud-based management system)

Summary	
Project	**Cloud-based financial management system**
Annual return on investment (ROI)	164%
Payback period	0.7 years
Average annual benefit	85,920
Average annual total cost of ownership	31,700

Annual benefits	Prestart	Year 1	Year 2	Year 3
Direct	0	42,950	43,638	43,672
Indirect	0	42,500	42,500	42,500
Total per period	0	85,450	86,138	86,172

Depreciated assets	Prestart	Year 1	Year 2	Year 3
Software	0	0	0	0
Hardware	0	0	0	0
Total per period	0	0	0	0

Depreciated schedule	Prestart	Year 1	Year 2	Year 3
Software	0	0	0	0
Hardware	0	0	0	0
Total per period	0	0	0	0

Depreciated schedule				
	Prestart	**Year 1**	**Year 2**	**Year 3**
Software	25,000	25,000	25,000	0
Hardware	0	0	0	0
Consulting	8,000	0	0	0
Personnel	2,880	2,880	0	0
Training	5,764	576	0	0
Other	0	0	0	0
Total per period	41,644	28,456	25,000	0

SOURCE: Nucleus Research

Financial analysis				
	Results	**Year 1**	**Year 2**	**Year 3**
Net cash flow before taxes	(41,644)	56,994	61,138	86,172
Net Cashflow after taxes	(22,904)	31,347	33,626	47,395
Annual ROI—direct and indirect benefits				164%
Annual ROI—direct benefits only				61%
Net present value (NPV)				70,754
Payback period				0.7 years
Average annual cost of ownership				31,700
3-year IRR				136%

Financial assumptions	
All government taxes	45%
Cost of capital	9.0%

This example shows that by switching to a cloud financial management system, this company realized an annual ROI of 164%. Further, this company recovered its costs in just over half a year. These numbers are typical for organizations graduating from QuickBooks to cloud financial management.

By automating and streamlining its inefficient manual processes, this company realized the following direct and indirect savings:

Direct savings		
What	**How much**	**Total savings**
Trimmed audit expense for monthly close	1 day @$200/hour x 12 months	$19K savings
Boosted accounts receivables and shrank revenue leakage	$10M annual revenues x 5% improvement in collections	$500k improvement in annual cash position
Indirect savings		
Sped up month-end close	1 week	Saved $30K
Increased departmental productivity	Eliminating 40 hours of manual data entry each week	Saved $12.5K annually

This analysis provides a compelling argument to make the switch from QuickBooks to the cloud. See the Appendix for a checklist to help you make your own comparison.

Conclusion

Now, you can take advantage of a framework that many organizations have used to assess the hidden costs of staying with QuickBooks—plus an ROI analysis that compares the real cost of the status quo with the financial benefits of switching—to help you decide the best time to graduate from QuickBooks to a modern cloud-based financial management system.

Cloud-based financial management applications offer finance organizations the solutions they need to work strategically with stakeholders—by providing both the financial data to plan and make important financial decisions, and the insights necessary to fuel growth.[1]

Many organizations have already made the move to a cloud-based financial system, and they've made the move to Sage Intacct—gaining better visibility, unlimited flexibility, more effective process management, and significant cost savings.

Sage Intacct financial management and accounting software streamlines and automates processes to help finance organizations improve the accuracy, reliability, and timeliness of business-critical data. A robust and scalable best-in-class financial management system, Sage Intacct extends the reach of finance to encompass areas across business units, aids in the planning and budgeting processes at a level that fully reflects strategic priorities, and provides actionable insights into key performance areas—giving companies the vital data they need to seize business opportunities in real time.

About Sage Intacct

Sage Intacct is the AICPA's preferred provider of cloud financial applications. Sage Intacct streamlines accounting, while delivering real-time budget vs actual visibility for detailed financial reporting for finance teams.

Our modern, true cloud accounting solution, with open APIs, gives businesses the connectivity, visibility, and efficiency they need to drive performance. At Sage Intacct, we help organizations strategically grow their business through detailed insights to support critical decisions.

1. *http://online.wsj.com/article/SB125358186243529783.html*

Appendix

Create your own checklist of potential savings
Use the information in this table to identify and calculate the revenue increases and cost savings your organization can gain by switching to cloud financial management software.

Sample visibility benefits		Sample revenue gains		Sample cost savings	
Management	**Control**	**Direct revenue**	**Indirect revenue**	**Direct costs**	**Indirect costs**
Managed by KPI	Improve cash management	Improve management of deferred revenue and revenue recognition	Reduce revenue leakage	Reduce software license costs, maximize discounts	Provide real-time visibility into tate of business, especially for consolidated and multiple entities
Enable the organization push down decisions	Gain international visibility	Identify one-time, overdue AR due to contract noncompliance	Streamline integration with partner revenue management systems	Reduce hardware costs, such as server costs, networking equipment, and much more	Increase productivity by: • Automating renewals and maintenance • Managing multiple entities • Speeding up invoicing • Customizing workflows • Accurate/ timely reports
Streamline comparisons across operating units—such as franchises, locations		Complete monthly invoicing faster and more effectively		Cut annual maintenance and renewal fees	Reduce IT personnel requirements

Sample visibility benefits		Sample revenue gains		Sample cost savings	
Management	**Control**	**Direct revenue**	**Indirect revenue**	**Direct costs**	**Indirect costs**
		Accelerate financial close processes		Streamline training and training materials	Eliminate onsite backup and disaster recovery
		Manage multiple entities Avoid delays and errors		Reduce costs to maintain/ upgrade network, security, and database Minimize professional services and support costs	Minimize the costs of configuring financial management applications to match business needs

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