E- book

10 reasons businesses shouldn’t use QuickBooks



Sage



Businesses need financial reporting and forecasting to expand and scale. There is efficient and effective software out there that provides what businesses need to grow, and QuickBooks is not one of them.

With the proper financial data, finance leaders can make informed decisions about their growth and development. QuickBooks simply cannot offer the same level of detail and accuracy needed, with dimensions, recurring revenue and forecasting. When it comes to making decisions about the future of your company, you need to be sure that you're using the best possible tools and QuickBooks doesn't automate enough of the job. Here are 10 reasons businesses should avoid QuickBooks.

01. QuickBooks isn’t designed for accountants



QuickBooks is a nicebookkeepingtool for smallbusinesses,but it isn’tdesigned for accountants. While both bookkeeping and accounting are vital to anybusiness, they serve different purposes. Bookkeepers ensure that all financial transactions are properly recorded in the company’s books. This includes recording invoices, receipts and payments. accounting focuses on providing decisionmakers with financial information needed to make informed business decisions. The main difference between bookkeeping and accounting is that bookkeeping is chiefly concerned with the recording of financial transactions, while accounting is primarily concerned with the interpretation, analysis and presentation of those transactions.

knowing when to use each one will help you keep your finances in order and make better decisions for your business. if all you need is bookkeeping, stay the course with QuickBooks. if you want better insights, then use a financial management platform that’s endorsed by the american institute of certified Public accountants.

02. QuickBooks automation is limited

QuickBooks relies heavily on manual processes. This can befrustrating for businesses

that are trying to digitize their workflows. although QuickBooks does have some automation features, they are often limited and may not work the way you expect them to. if you’re looking for an accounting software that will automate most of your bookkeeping tasks, QuickBooks is probably not the right fit for your business. For example, QuickBooks doesn’t have a double-entry bookkeeping feature. This means that you can’t track your expenses and income in two separate accounts. This can make it difficult to keep track of your finances and produce accurate financial statements.





some of the key benefits from better automation include:

- **Improved efficiency:** dimensions on each journal entry allow you to close the books faster.
- **Improved accuracy:** integration with your ordering system, such as salesforce.com or Hubspot, ensures the right billing and revenue rules come in with the order, so you reduce days sales outstanding and the time to calculate your deferred revenue.
- **Improved consistency:** automation ensures that tasks, such as aP approvals and invoicing, are completed consistently. This eliminates variation in the process and improves results.
- **Freed-up resources:** automation frees up resources for other tasks. a common refrain from our clients is they have shifted from being 80% manual to 80% strategic.

Most companies using QuickBooks probably dedicate too much time to manual processes. QuickBooks can't give you a single view of shared accounts, customers and vendors across entities. instead, your finance team is forced to jump from one instance of QuickBooks to another. They manually track areas such as intercompany eliminations, revenue recognition, and allocations and accruals for expenses. unsurprisingly, this invites errors and leads to even more time spent making corrections.

at the same time, managers have little visibility into their team's workflow. all of this causes the workload to pile up, forcing finance teams to cut into their weekends to get it all done while preventing leaders from making informed decision based on up-to-date financial data. and, if that's not enough, it's costing your business.

03. QuickBooks doesn’t integrate that well



QuickBooksdoesn’tintegratewell with other software applications such assalesforce. it doesn’t have a native integration to salesforce, orsubscription billing, and can’t do credit memos to existing contracts, leaving you to do billing and revenue recognition in spreadsheets. This can be a big problem for businesses that rely on salesforce for their customer relationship management and use QuickBooks. The lack of integration can lead to inefficiencies and errors in your data, which will impact your bottom line. There are numerous benefits to integrating software applications within an organization. Perhaps the most significant benefit is cost reduction. When software applications are integrated, there’s often no need to purchase duplicate licenses or maintain multiple copies of data. in addition, integrating applications can eliminate the need for manual data entry, which can save both time and money.

another important benefit of integrating applications is the improved efficiency that results from having all the necessary information available in one central location. When applications are integrated, employees no longer need to search multiple databases or files to locate the information they need. This can save a significant amount of time wasted on reconciliations, which can be used for more productive purposes. additionally, having all the necessary information available in one place can help to prevent errors and improve decision-making.

as well, application integration provides a competitive advantage by giving employees access to data and information that would otherwise be unavailable. When applications are integrated, an organization can make better use of customer data, market research and other types of information. This access to data and information can give an organization a leg up on the competition.

04. QuickBooks is unable to track revenue recognition

Businesses use a varietyof reportstotrack their financialperformance.Twoofthe most important types of reports for accountants and chieffinancial officersarebalance sheets and income statements. Balance sheets provideasnapshotof acompany's assets, liabilities and equity at a given point in time. This information helps assesssolvency and financial risk. income statements, on the other hand, show how much revenue acompany has generated and how much it has spent over a period to assess profitability and identify trends. Together, these reports provide critical insights into a company's financial health.

QuickBooks is unable to track revenue recognition. This is a major gap, as revenue recognition is a key accounting principle. Without proper revenue recognition, a company's income statements will be inaccurate and could mislead investors and creditors.

There are a few possible workarounds for this issue. one option is to manually track revenue recognition using a separate spreadsheet or software program. This is time-consuming and not ideal for companies with high transaction volume. another cumbersome workaround is to use QuickBooks' invoicing feature to create an invoice for each revenue-generating transaction.

despite these workarounds, the lack of proper revenue recognition tracking in QuickBooks is a serious miss that could have devastating consequences for a business. investors and creditors rely on financial statements to make informed decisions, and if those statements are inaccurate, it could lead to disastrous results.

under asc 606, revenue must be recognized when it is earned, which is typically when the underlying goods or services are delivered. This is a change from previous guidance, which allowed companies to defer recognition of revenue until it was earned.

This can have a significant impact on the timing of revenue recognition for some businesses. For example, if a company delivers a one-year subscription service on January 1st, the entire subscription fee would be recognized as revenue on that date under asc 606. under previous guidance, the company could have recognized the revenue over the course of the year as the service was delivered.

The standard also requires companies to consider whether there are any variables that could impact the amount of revenue that will ultimately be earned. This is relevant because many subscription services include some level of discount for prepaying for a longer period.

For example, if a company offers a 10% discount for prepaying for two years of service, the company needs to consider this when recognizing revenue under asc 606. The company needs to estimate the portion of customers that are likely to take advantage of the discount and recognize the corresponding amount of revenue at the time of sale.

asc 606 also has implications for contract modifications. For example, if a customer extends their subscription by an additional year, this is considered a contract modification.

under asc 606, the company needs to recognize the additional revenue from the contract extension at the time of the modification. This is different from previous guidance, which allowed companies to defer recognition of revenue until the service was delivered.

Good luck trying to do this with QuickBooks.

05. QuickBooks is unable to track multiple entities

using QuickBooks, eachcompany entity requiresaseparateinstance.Thelack of tracking can lead to duplicate invoices and payments. QuickBooksalso lacks someimportant features that are essential for businesses with multiple entities. For example, it doesnot have the ability to generate consolidated financial statements. This can make it difficultto get a clear overview of your business's financial performance.

To avoid these issues, it's important to have a system in place that can track all your entities separately. This will help ensure that you don't run into any problems with duplicate invoices or payments, and all assets are accurately managed.



06. QuickBooks lacks financial controls

Financial controls are importantin any organization.Byputtingfinancialcontrols in place, companies reduce the risk of errors and fraud, and ensure thattheir accounting records are accurate and reliable.

QuickBooks makes accurate auditing difficult. The user interface isn’t designed for auditing and there are no dedicated auditing tools. users must export data to excel spreadsheets and use third-party software to perform audits. This makes the process time-consuming and error prone. This is problematic for any business looking for funding or desiring to go public. accurate auditing, using generally accepted accounting principles, is essential.



07. QuickBooks doesn’t enable remote work

QuickBooks desktophas limitedremoteworking capabilities.it’s not builtto beused by employees who are working remotely. QuickBooks wasdesigned to be usedby employees who are in the same office as the company file.

This can pose problems for companies who have employees who work remotely or who travel frequently. QuickBooks desktop is not built to handle remote working situations and this can lead to problems with data synchronization, communication and collaboration.

There are a few ways to work around these limitations, but they require extra work. For example, you can set up a VPn so that your remote employees can connect to the company file, or you can use a third-party service to host your QuickBooks desktop file online.

another option is QuickBooks online, but users sacrifice functionality as compared to QuickBooks desktop. For example, QuickBooks online doesn’t support discount rates by customer, sales tax creation and corrections, and correction of unapplied credits and payments, all found in QuickBooks desktop.



08. It takes longer to close the books using QuickBooks

Themost significantdisadvantageof a lengthyfinancial closeprocessisthe likelihoodof errorsand omissions.Whendatamust bemanuallyentered intomultiplesystems,thechances of human errorincreaseexponentially. This canresult in inaccuratefinancial reportsand, ultimately, costly mistakes.

another downside to a lengthy close is the amount of time it takes away from other important tasks. The finance team is usually bogged down during closing, which means they're not able to focus on strategic initiatives that could improve the business. This can have a long-term negative impact on growth and profitability.

Finally, a drawn-out close process can create unnecessary stress for everyone involved. From the cFo to the entry-level accounting clerk, there's added pressure to get things done quickly and accurately. This can lead to burnout and turnover, which are both costly problems for businesses.

a faster financial close helps improve communication between managers and accountants, as well as reducing accounting and finance costs. additionally, a shorter financial close increases transparency and provides more timely information to investors and other interested parties. a shorter financial close may allow for earlier recognition of revenue or expenses. all these factors can have a positive impact on a company's bottom line. in short, a faster financial close process can provide many advantages for all sorts of businesses.



09. QuickBooks makes forecasting difficult

it’shardto do financial forecasting usingQuickBooks. This is becauseQuickBooksonly offers basic reports thatdon’t provide alotof informationon future trends.

There are some paths to get around this difficulty. one way is to use third-party software that integrates with QuickBooks and provides more robust financial reporting capabilities. another way is to export data from QuickBooks into a spreadsheet application like Microsoft excel, where you can then manipulate the data to better understand future trends.

That said, QuickBooks still lacks the data you need to make strategic business decisions. For example, it’s unable to report on net dollar retention (ndr), also called net revenue retention (nrr), which measures the percentage of your revenue that you’re able to maintain from existing customers, inclusive of expansion revenue. Businesses often track and report ndr because it can offer insight into revenue growth and customer satisfaction. cash conversion is another key performance metric that QuickBooks can’t report on. The cash conversion score is a calculation of committed-annual-recurring-revenue to capital-raised-to-date (debt and equity) minus the cash on the balance sheet. This measures the return on invested capital and shows how well these dollars convert into recurring revenue.



10. QuickBooks users depend on spreadsheets

as we've pointed out,QuickBooksusersareoverlydependentonspreadsheetstogetthe data they need to makebetterdecision.Financeleadersfaceahostofissueswhenrelying on spreadsheets, including:



Security risks
When using spreadsheets for complex financial data, there is always the risk that someone will access and change the data without your knowledge. This could lead to serious consequences if the data is used to make decisions about investments or other financial matters.



Data quality
another problem with using spreadsheets for complex financial data is that it can be difficult to ensure the data is accurate and up to date. This can lead to incorrect decisions being made based on outdated or incorrect information.



Limited functionality
spreadsheets are often limited in terms of the types of analysis they can perform. This can make it difficult to get a full picture of the company's financial position to make data-driven decisions.



Difficult to share
When using spreadsheets for complex financial data, it can be difficult to share the data with others who need to see it. This can make collaboration and decisionmaking difficult.

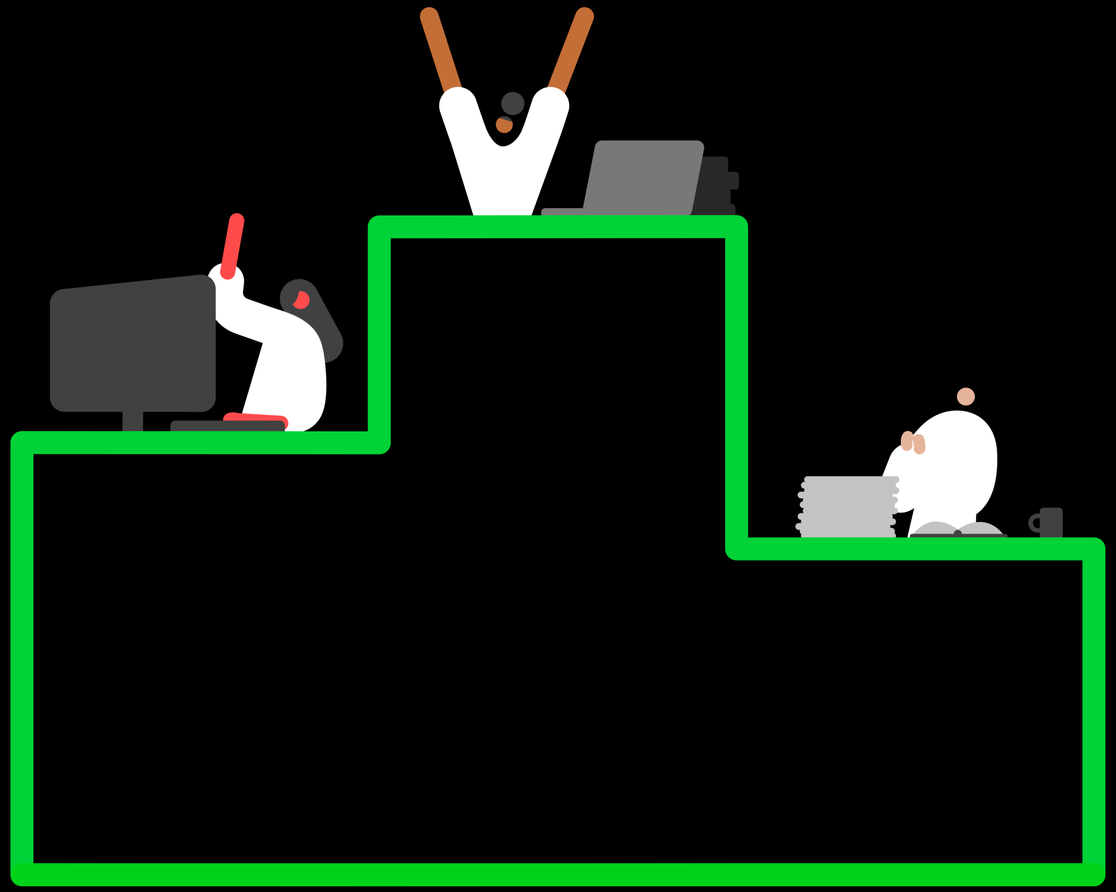


Time consuming
Working with complex financial data in a spreadsheet can be time-consuming and tedious. This can lead to frustration and errors.

The bottom line is that QuickBooks' dependency on spreadsheets makes it unreliable at best.

Summar y

We’velisted10 reasonsbusinesses shouldn’t use QuickBooks, but there are many more. For executives at growing companieswho want to make data-driven decisions, sage intacct provides realtime financial insights. sage intacct is a true cloud-native financial management system, built in the cloud for the cloud, and offers simplified integration with other cloud-native platforms such as salesforce. it offers functionality not found in the various versions of QuickBooks desktop or QuickBooks online in areas that include core accounting, data entry, revenue recognition, job costing and reporting. unlike QuickBooks, sage intaact easily handles multiple entities and currencies, simplifies reporting, closing and audit preparation, and helps finance executives share the data needed to make strategic business decisions.



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