Are You Outgrowing Quickbooks?

Issue #2

Quickbooks is an excellent value for entry level accounting software. Here are some of the signs that it may be time for your business to consider moving on.

Quickbooks reports are slowing down

When reports start slowing down in Quickbooks, that means the proprietary Quickbooks database is reaching capacity. According to developers who write software that links to Quickbooks, the capacity of the Quickbooks database is around 14,000 records. That means that the total amount of customers, vendors, inventory items, jobs, accounts, and transaction records, when added together, must be less than 14,000. In fact, when companies reach somewhere over 7,000, you can start to notice reports slowing down.

Over the years, we have seen companies using Quickbooks hit the record limit wall, and freeze. The only thing to do once you hit the record limit wall, is to restore a backup, and purge data from Quickbooks to get running again.

The business owner delegates the bookkeeping to an employee

The best thing about Quickbooks is ease of use. In fact, a quote from the Quickbbooks user manual states, "Using Quickbooks requires very little accounting knowledge." This makes it easy for a business owner to set up their accounting and run the books, which is great for starting your business. But one of the important features of a double entry accounting system compared to a single entry accounting system like Quickbooks, is what accountants call "audit controls."

Audit controls keep track of every transaction entered into an accounting system so that someone can trace back from an account balance to the transactions that make up that balance. If the business owner is running their own accounting system, lack of audit controls may not jeopardize the security of sensitive accounting data. However, once the owner delegates the accounting to someone else, the business owner leaves themselves open to embezzlement opportunities by unscrupulous bookkeepers. And there are plenty of cases of embezzlement of small businesses.

Here is an example. Say your bookkeeper, Sly Crook, needs a few extra thousand dollars for that new car he has wanted. Sly enters an invoice into accounts payable for office equipment for $1500 payable to Sly. Sly then does a check run to pay the invoice for $1500, then deletes the invoice after the check is cut. You sign the check in a hurry seeing a printed invoice for office equipment, but do not notice that the "Pay To" is Sly Crook. You are now out the $1500 because not only did Sly delete the invoice, he also deleted the check out of the check register so it could not be traced.

Fortunately, Quickbooks has added an audit control feature that allows for keeping a record of all changes made to transactions. Unfortunately, from the Quickbooks manual, "If you turn the audit trail preference on, you may find that Quickbooks works more slowly, and your data takes up more disk space and may require more memory. These drawbacks occur because Quickbooks records not only the changed transaction, but also its previous versions. In contrast, Quickbooks overwrites the previous version of a transaction when the audit-trail preference is turned off."

In contrast, good double-entry accounting systems do not allow you to delete transactions. They force an "adjusting entry" or "voiding transaction" which records the changes made to an entry. You are unable to delete the invoice, or the check from the accounting records. This is not a fool proof system, however. There are still plenty of ways to steal from your business even with a good double entry system. A combination of a good double entry system together with "separation of duties" is needed to protect you from embezzlement opportunities.

More than 5 users need access to the accounting system

Quickbooks only allows up to 5 users to access the accounting system at one time. (Note that this has changed with more expensive versions of Quickbooks since this article was written.) And as you add additional users to Quickbooks Pro "you may notice that Quickbooks Pro runs a little slower than before." Today accounting software can do more for your business than just accounting. For example, allowing your sales people to review customer accounting sales histories in a secure fashion, and enter quotes which can be changed to orders later, is a feature of some accounting packages that link to "CRM" (Customer Relationship Management) systems offer. This feature can increase the productivity of your sales people, and is an example that may require more users to have access to the accounting software. So if your business is growing, and you are expecting to have multiple users have access to the accounting software, it may be time to consider moving up from Quickbooks.

Inventory tracking features

As discussed in the Quickbooks manual, there are situations that Quickbooks may not be suited to your business including:

- You manufacture items, and your inventory includes products you create from different components or materials.
- You stock unique items.
- You rent or lease items rather than just sell items to customers.
- You sell on consignment.
- You have backorders of items you want to track.
- You use a point-of-sale scanning system.
- You value your inventory by some other method than average costing.

In addition, areas like the need to track inventory quantities in multiple warehouses easily, may be another signal that you are outgrowing Quickbooks. Since inventory is a more complex subject, discussing your inventory needs with an accounting software consultant may be advisable.

CPA's may love or hate Quickbooks

Seeking the advice of your CPA about your accounting software is always a good idea. One of the reasons some CPA's love Quickbooks is that they know you will generate nice fees for them because they may have to spend a lot of time sorting through your accounting system. One of the reasons some CPA's hate Quickbooks is that they know that they may have to spend a lot of time sorting through your accounting system.

Quickbooks does not "close" periods. "Unlike most other accounting systems, Quickbooks does not require you to 'close the books' at the end of a period." This is a double edged sword. Not closing the books means that you can go back to any prior period and make adjustments (fix mistakes) with no difficulty. However, if you have printed financial statements, and then changed something in a prior period, the financial statements you printed are no longer accurate.

Accountants like you to close a period, print financial statements, and if you have to fix something, make an adjusting entry so they have an audit trail of those changes. This makes it easier for them to verify the accuracy of your financial statements.

Conclusion

Quickbooks is the leading accounting software product for companies with up to "250 employees"! Many companies use Quickbooks because it is easy and inexpensive, and have just stayed with it after they have grown significantly. Quickbooks offers some great features, without a doubt. There are some excellent alternatives between the entry level packages like Quickbooks, and the $10,000 dollar and up packages worth considering from market leading companies.

If you are outgrowing Quickbooks, and would like to know what alternatives are available that won't break the bank, give us a call. We can listen to your needs (see the Issue #1 on creating a "wish list") and help guide you to a suitable accounting package that can take your business to the next level.