E-book

10 Reasons SaaS Companies Should Not Use QuickBooks

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SaaS companies need financial reporting and forecasting to expand and scale, especially as they look for funding or seek to take the company public. Efficient and effective software systems exist to provide what SaaS companies need to grow, and QuickBooks is not one of them. Financial data, which is important for any business, is especially crucial for SaaS businesses. With the proper financial data, finance leaders can make informed decisions about their growth and development. QuickBooks simply cannot offer the 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 you're using the best possible tools, and QuickBooks doesn't automate enough of the job. Here are 10 reasons SaaS companies should avoid QuickBooks.

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1

QuickBooks isn't designed for accountants

QuickBooks is a nice bookkeeping tool for small businesses, but it isn't designed for accountants. While both bookkeeping and accounting are vital to any business, 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 decision-makers 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 helps 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 endorsed by the AICPA.

2

QuickBooks automation is limited

QuickBooks relies heavily on manual processes. This can be frustrating for SaaS businesses accustomed to using software that automates tasks. 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.

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Some of the key benefits from better automation include:

- **Improved efficiency:** Dimensions on each journal entry allows 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 DSO 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 percent manual to 80 percent strategic.

Like most companies using QuickBooks, SaaS organisations 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 work flow. 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.

3 QuickBooks doesn't integrate well

QuickBooks doesn't integrate well with other software applications such as Salesforce. It doesn't have a native integration to Salesforce, doesn't have subscription 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 SaaS companies 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.

Numerous benefits come from integrating software applications within an organisation. 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 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 organisation can make better use of customer data, market research, and other types of information. This access to data and information can give an organisation a leg up on the competition.

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4 QuickBooks is unable to track revenue recognition

SaaS companies use a variety of reports to track their financial performance. Two of the most important types of reports for accountants and chief financial officers are balance sheets and income statements. Balance sheets provide a snapshot of a company's assets, liabilities, and equity at a given point in time. This information helps assess solvency and financial risk. Income statements, on the other hand, show how much revenue a company 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 financial statements are inaccurate and could mislead investors and creditors.

QuickBooks users have found a few less-than-optimal workarounds for the revenue recognition 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 equally 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 shortcoming that could have devastating consequences for a SaaS business. Investors and creditors rely on financial statements to make informed decisions, and inaccurate statements could lead to disastrous results.

Under ASC 606, revenue must be recognised 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 SaaS companies. For example, if a company delivers a one-year subscription service on January 1st, the entire subscription fee would be recognised as revenue on that date under ASC 606. Under previous guidance, the company could have recognised 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 for SaaS companies 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 recognising revenue under ASC 606. The company needs to estimate the portion of customers that are likely to take advantage of the discount and recognise 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 recognise 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

5

QuickBooks is unable to track multiple entities

Using QuickBooks, each company entity requires a separate instance. It's a challenge for software companies and SaaS companies. The lack of tracking can lead to duplicate invoices and payments. QuickBooks also lacks some important features that are essential for businesses with multiple entities. For example, it does not have the ability to generate consolidated financial statements. This can make it difficult to get a clear overview of your business's financial performance.

Having a system that can track all your entities separately avoids this issue and helps ensure that you don't run into any problems with duplicate invoices or payments or inaccurately manage assets.

6

QuickBooks lacks financial controls

Financial controls are important in any organisation, but they are especially critical for SaaS organisations. By putting financial controls in place, companies reduce the risk of errors and fraud and ensure that their accounting records are accurate and reliable.

QuickBooks makes accurate auditing difficult. The user interface isn't designed for auditing, and it has 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 SaaS company looking for funding or desiring to go public. Accurate auditing, using generally accepted accounting principles, is essential.

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QuickBooks doesn't enable remote work

QuickBooks Desktop has limited remote working capabilities. It's not built to be used by employees who are working remotely. QuickBooks was designed to be used by 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 synchronisation, communication, and collaboration.

Again, QuickBooks users have found some creative 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 when 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.

8

It takes longer to close the books using QuickBooks

The most significant disadvantage of a lengthy financial close process is the likelihood of errors and omissions. When data must be manually entered into multiple systems, the chances of human error increase exponentially. This can result in inaccurate financial reports and, 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, everyone feels 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 SaaS organisations.

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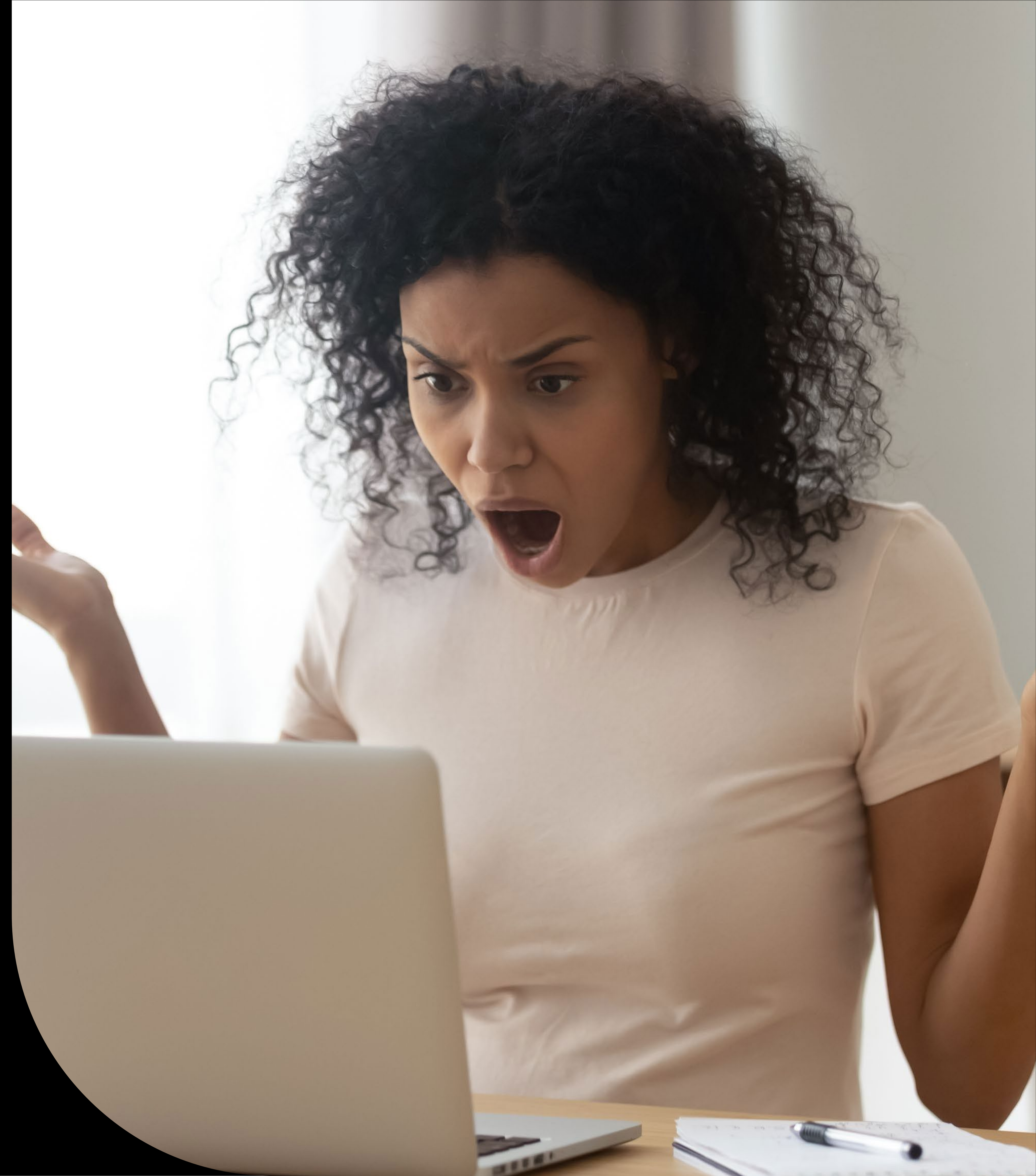
QuickBooks makes forecasting difficult

Doing financial forecasting using QuickBooks is hard. This is because QuickBooks only offers basic reports that don't provide a lot of information on future trends.

One way to get around this difficulty 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 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. SaaS companies 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. Best-in-class SaaS organisations post a cash conversion score of 1X or better.

10 QuickBooks users depend on spreadsheets

As we've pointed out, QuickBooks users are overly dependent on spreadsheets to get the data they need to make better decision. Like other firms, SaaS companies face a host of issues when relying 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:** Spreadsheets used for complex financial data can be difficult to share with others who need to see it. This can make collaboration and decision-making 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.

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Summary

We've listed 10 reasons SaaS companies shouldn't use QuickBooks, and there are many more. For executives at growing SaaS companies who want to make data-driven decisions, Sage Intacct provides real-time financial insights. Sage Intacct is a true cloud-native financial management system, built on 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 Intacct 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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Want to learn more?

Reach out to vision33 to discuss if Sage Inacct is right for your business

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