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How Do Small Businesses Use Accounting Software?

Starting a small business isn't easy and among the most important decisions that can be made are how to organize and manage your finances. Today, cloud-based accounting software would seem to be a smart, simple choice. But a [recent accounting software research report by Capterra](#), a free service that helps businesses find the best software for their needs, found that the majority (61 percent) of the 500 surveyed small businesses use locally installed software instead.

Not really surprisingly, the top software choice was QuickBooks (48 percent), with the next closest choice being Microsoft Dynamics (11 percent). Only 39 percent of those surveyed chose a cloud-based version of their accounting software, despite the fact that so many companies have opted to use the Web for other types of software. The report didn't identify a big difference among businesses that chose one over the other, though it did offer reasons for adopting the cloud:

There was no meaningful revenue split between businesses with web-based accounting and those with locally installed packages. Businesses are just coming around to the value of an accounting system that can be interacted with at all times, from anywhere.

By putting your information in the cloud, you increase the ease of collaboration, you put your users in touch with it even if they're on the road (hello, travel receipts), and it gives you built-in protection from local data failures and other catastrophes.

The survey did find that using accounting software is integral to keeping financial problems at bay. Fifty-four percent of respondents found that their chosen software decreased their financial errors—32 percent said it was a significant decrease and 22 percent found a slight decrease. The importance of using accounting software should be obvious—it saves time with data entry, makes reconciling accounts simpler, and helps business owners more easily pay their employees. It also can provide protection from financial mistakes or accounting errors that could result in an IRS audit—any business' nightmare. Keeping your finances in check can also help the business grow.

I did find it surprising that some businesses (19 percent) didn't even demo accounting software prior to selecting their vendor. Most small businesses demoed at least two (38 percent) and 23 percent tested three or more kinds.

It also seems that getting the business up and running with accounting software is a big rush as the majority of respondents took less than six months to select their software. Only about 11 percent took nine months or longer to make their selection.

Lastly, the top reasons businesses gave for their software selections were functionality and features, followed by "ease of use" and price. Users said they most wanted mobile apps for their software—which is surprising considering the high number of businesses that chose locally installed vs. cloud-based installations.

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