

When Do You Need Accounting Software?

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Not every company is going to benefit from accounting software.

And, unfortunately, there isn't a hard and fast rule that says which side of the divide you'll end up on. A small business with just five employees may find that accounting software saves them three hours each month on paperwork. Another business, of the same size, may see no gain at all.

We can set some boundaries, at least. [A Fortune 500 business needs accounting software](#). On the other hand, an unpublished author can manage without. Everything else is going to fall into that gray area.



To help you figure out where your business lands, here are a few simple questions you can ask yourself:

Are you in charge of finances and are you bad at math?

Look, you didn't start your web design firm to track cash — you opened it to *make* cash. Some people are comfortable tackling the ins and outs of accounting in Excel or a similar system. Maybe you love the old dual entry books and have one propped up in the office just for the thrill of it. If you don't, then you're opening yourself up to a world of trouble, even if the books are relatively simple.

I've hand balanced the books for a bank branch, and I can tell you from experience that it is not fun. It's not easy either. Even with all the receipts and records in front of you, errors, edits, and simple mistakes on your calculator can lead to long nights and headaches.

If you're not comfortable with the technical skill required to balance the books, [let software do it for you](#).

Can you conceptualize your business finances?

While this is a fuzzy-around-the-edges idea, it can really help you lock down your requirements. If it's difficult for you to keep track of your money, you're on the path to needing accounting software. When many businesses begin, they have little to track. You've put cash into an idea, you splashed out for signs and rent, you pay yourself, and you make money one invoice at a time. That's a relatively simple world to live in.

Now your business has grown. You're paying yourself and five other people, you have products to track, you have payments that have multiple deadlines, and if it wasn't all written down, it would be impossible to keep track of what you're doing.

Not only does this mean that things can get missed with sloppy accounting, it means that, without a strong system in place, you're spending too much time on tracking the nuts and bolts of your business. Accounting software can help you cut down on time spent and on errors made.

No one wants to hit the end of the year only to find that they've kept too little aside for taxes, for instance, and accounting software can help.

Do you spend valuable time chasing invoices?

One of the main benefits of accounting software is its ability to help you track incoming cash, with many packages also giving you powerful reporting tools. You can forecast future cash flows, easily track down late payments, and turn the tedious task of getting paid into something much easier.

You can save yourself all the time you spend flicking through files, Excel sheets, or contact lists, giving you more productive hours to actually run the business you set out to run.

Having a clear set of invoice and payment records is one of the most important things a small business can setup for itself, and accounting software can make that painful process much easier.

Is someone — an accountant or the IRS, for instance — telling you to?

On top of all the business benefits that come with simplifying your accounting, there are some great legal reasons to do so, as well. How does [avoiding a 20% penalty for inaccurate filing sound](#)? That's what the IRS could drop in your lap if you're negligent in reporting your financials when tax time rolls around.

You may also have farmed out your tax preparation to an accounting firm that would like you to use some sort of accounting software so that they don't have to sift through the contents of your passenger seat to find the right receipts and deposit slips. Luckily, [plenty of the accounting options out there are tailored to small business owners](#) managing their own books.

What to do if you need accounting software

Once you've determined whether or not you need accounting software for your business, it's important to [figure out which features you need](#). Jumping in with both feet before you have a clear idea of what you want can lead to catastrophe, and in [a survey Capterra ran last year](#), we discovered that many shoppers had a difficult time making comparisons between all the available options.

Once you have an idea of what you're looking for, you can look into [Capterra's accounting software listings](#), which give ratings and comparisons for some of the most popular accounting software packages on the market. Capterra also offers buyers [one-on-one advice absolutely free of charge](#), if you need some expert guidance.

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