HOW TO CHOOSE

Accounting Software for Construction

intuit **quickbooks**.

xero

sage

Table of Contents

Introduction

In the dynamic world of construction, the importance of maintaining a clear and precise financial outlook cannot be understated. The intricacies of construction projects—be it residential, commercial, or infrastructure—require a robust system to track, analyse, and report on financial matters. A misplaced cost estimate, an overlooked invoice, or a misallocated budget can mean the difference between a profitable project and an unexpected loss. Enter the realm of accounting software tailored for the construction industry.

"The Best Accounting Softwares for Construction Companies" delves deep into the digital solutions that address the unique accounting challenges faced by construction companies. This ebook is not just a compilation of software reviews; it's a comprehensive guide to understanding how the right software can streamline financial operations, improve efficiency, and enhance decision-making processes.

The construction sector, with its myriad of contracts, sub-contractors, suppliers, and labour costs, demands a level of accounting granularity that generic accounting tools may not fully accommodate. It's crucial to have a solution that understands the industry's nuances, from progress billing to equipment tracking, from job costing to change order management. This ebook will introduce readers to the leading tools in the market, their features, benefits, and potential pitfalls, helping decision-makers select the software that best aligns with their business needs.

As you read this eBook, remember that the best software is not just about features—it's about how well it integrates into your business model, scales with your growth, and ultimately, contributes to your company's success. Whether you're a seasoned construction magnate looking to upgrade your accounting system or a startup seeking to invest in your first software, this ebook promises to be an invaluable resource in your decision-making process.

Welcome to a world where accounting meets construction, digitally.

Kevin Smith
Managing Director,
MI Solutions

MI Solutions are specialists in accounting software and are a full service provider offering installation, training and maintenance. They provide other business software solutions such as cloud computing services, mobile service apps and more.

Kevin Smith is the Managing Director of MI Solutions and he speaks about Xero

www.mi-solutionsltd.com

> **What size construction companies use Xero? Is there a cap?**

It is not a cap on the value. It's more a cap on the transaction level.

I had a client that asked me to come into a site and he had really good software, he just didn't realise it. But he had five separate companies, he had an integration with a third-party piece of software as well.

He was in the service and construction business. He had 3,000 to 5,000 invoices a month. He wanted me to put in Xero because he loved it. I said, "I think what you have is actually better than Xero itself". They had entry level software, which is like Xero, Sage, QuickBooks, and so on, which is good.

Then you have mid-range software, and then you have the NetSuites, which is very, very large. So, depending on where you hit, what you want, you can say, "Well, these guys want a bit more functionality and they want to be able to do A, B, C, or D." As I say, you can't get a van and use it like it's a truck. You have to sort of pick the software that suits your particular business.

It is not a cap on the value. It's more a cap on the transaction level.

I had a client that asked me to come into a site and he had really good software, he just didn't realise it. But he had five separate companies, he had an integration with a third-party piece of software as well.

He was in the service and construction business. He had 3,000 to 5,000 invoices a month. He wanted me to put in Xero because he loved it. I said, "I think what you have is actually better than Xero itself". They had entry level software, which is like Xero, Sage, QuickBooks, and so on, which is good.

Then you have mid-range software, and then you have the NetSuites, which is very, very large. So, depending on where you hit, what you want, you can say, "Well, these guys want a bit more functionality and they want to be able to do A, B, C, or D." As I say, you can't get a van and use it like it's a truck. You have to sort of pick the software that suits your particular business.

> **Is Xero compatible with a UK or Irish based construction company?**

Well, accounts are accounts. Across the board. So if you go to any country and you mention the word invoice, bill, payment, or bank, they'll all understand what they are.

And although they are Australian initially based and a large portion of their users are there, they have 355,000 users in the UK at the moment, and that was in the last count. And they've 3.7 million subscribers worldwide.

There is a little bit needed on the configuration of items. For instance, in Ireland, people wouldn't understand that there isn't Goods For Resale / Not For Resale.

We need to report on these types of issues – typical accounting stuff.

But if you come to the end of the year and you don't set up your VAT or your information correctly, your accountants can't use your information.

I've had cases where I've had to wipe all data and start systems again, and people think that just because they have used excel sheets that they know how to use accounting software.

But the features are different and they need to learn a new way of doing things

We see ourselves as second cousins to the UK, when it comes to a sell on this. CIS works really well there and the connection to HMRC is excellent and I have clients use it.

In Ireland it's just a matter of setting up their system correctly. We set up a subcontractors group within suppliers, so we can pull the subcontractors out of that particular list. And then we set up an RCT liability account.

So in other words, we'll have a liability account sitting there. So what happens is, a guy gives you an invoice for €1,000, we write €800 of it off, and the other 20% goes to RCT liability.

And then at the end of the month, we print out a report of the RCT liability that needs to be paid at the end of that particular period. So it gives you a breakdown of all the RCT requirements.

Sean O'Reilly
Chief Financial Officer, McKeon Group

McKeon Group is a Construction and Building Services contractor providing contract services to private, public and commercial clients.

Sean O'Reilly is the Chief Financial Officer of McKeon Group and he speaks about Sage 50

www.mckeon.ie

What are some of the issues construction companies face with Sage 50?

The one thing that I am aware of in the industry is how difficult it is to integrate with Sage's backend and their APIs. Because Sage 50 isn't fully cloud-based, using a hybrid on-prem solution instead, updates can cause problems upon release.

Microsoft regularly release updates to Windows overnight, and that can have an impact on your environment that Sage is installed in. This can be a nightmare for IT staff, and many small SMEs don't even have an IT Department to manage these updates.

These updates can also affect your third-party plugins. For example, you might have a CRM system plugged into Sage 50. When Windows pushes an update, all of a sudden your Sage 50 system might stop working.

I know other companies that have a manufacturing module or similar software that's built into the backend of Sage, and with one little change from a Sage update or Microsoft update, and all of a sudden their manufacturing system isn't talking to your Sage accounts system. It's a major problem.

So Sage 50's backend would be the biggest problem.

What Sage Add-Ons would you consider beneficial to Construction?

Well, look: the biggest add-on that's out there is LiveCosts that I see that really benefits construction companies.

There are other things like online bank reconciliation - I think it's Yodlee - but when it comes to construction only, I haven't found anything better than LiveCosts.

It's getting that understanding of a day-by-day, job-by-job. That level of detail is how you know if you're making money. That's how you know what price increases are coming at us now and handling the PO system.

Before LiveCosts, I spent a lot of time customising Sage 50 for construction guys, where they would use the Departmental Analysis, the Nominal Ledger within Sage, etc. I could customise it to set up numerous sales nominals, numerous cost centres and numerous departments.

To make adding a new site easy in Sage 50, we'd create a new department, and then code invoices against that department. This meant spending a lot of time customising Sage 50 so I could report site-by-site, and job-by-job.

But what LiveCosts is doing just blows all that away. You don't even need to get involved. You set Sage 50 out of the box, and you let LiveCosts do the project management piece. How LiveCosts allows you to allocate a labour cost against jobs is a huge benefit. Without LiveCosts, creating and checking the accuracy of manual journals in Sage 50 is a full-time job.

Nicky Goringe Larkin
Founder,
Goringe Accountants

Goringe Accountants is an accountancy practice specialising in providing business and accounting services for companies and sole traders, with offices in Reading and London.

Nicky Goringe Larkin is the Founder of Goringe Accountants and will speak about Quickbooks.

www.goringeaccountants.co.uk

What does Quickbooks offer construction companies that others don't?

QuickBooks can do a lot for a construction company. It does your VAT, it has CIS module, it can do payroll, it can do project accounting, it can do purchase order processing, and it can do quotes. There's an ever-growing amount of functionality in QuickBooks.

QuickBooks was originally designed for small businesses. However, over the years it's been very responsive to what customers have wanted. And QuickBooks now, compared to 10 years ago, offers loads more functionality. It's very flexible. We've got quite a few construction clients that use QuickBooks.

What is the difference between Quickbooks desktop and Quickbooks online?

There's not a massive amount of difference in the actual functionality.

The main issue is whether it's got the cloud aspect. Obviously with QuickBooks online, you can access it wherever you want.

I've got just one client still that won't move from QuickBooks on desktop, and I'm still trying to persuade him every month, because it is a bit limited - you still have to do backups and all of that stuff, which you don't have to worry about if you're in the cloud.

But from what I can see at the moment, it looks like it's still got most of the same functionality.

So you can still do CIS and VAT, all your payroll, but so much more - it just really helps. As long as you have internet access, the cloud is the way to go.

Then you don't have to worry about having a backup, or sending it to your accountant, et cetera.

How do Irish companies deal with RCT (*Relevant Contracts Tax) in Xero?

There are different levels of support that are changing all the time.

QuickBooks has 24-hour chat support. It does still have phone-based support, whereas Xero doesn't have a phone support system.

You have to send your email or your support query across. And you should get a reply within 24 hours, but it's not immediate.

I always used to think Sage had the best support desk. That has unfortunately suffered in recent years. It's only normal business hours and you often have to hang on for a long time to actually get through to someone.

Generally QuickBooks support is really easy to get through. It's 24-hour. Nine times out of ten they answer questions then and there.

When they do have to escalate it to some sort of specialist they get back really quickly. I cannot fault QuickBooks support. They are really good.
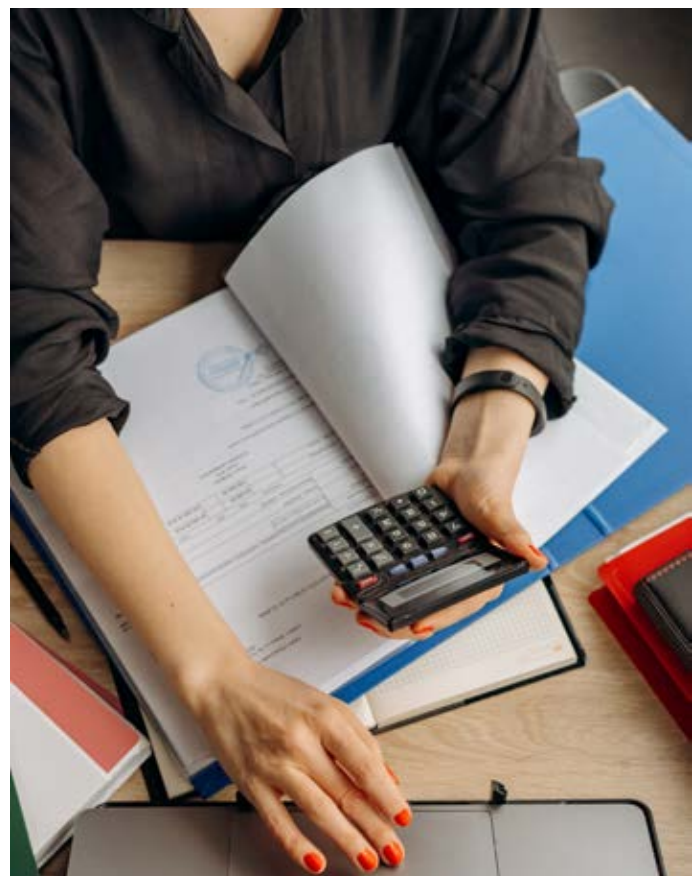
Key Takeaways to Consider

Key Highlights

- Product Company Fit
- Company Buy-In
- Cloud-Based Solution
- Integration
- Training & Support
- Price

Product Company Fit

The product has to fit the company. This can't be your accountant's decision. A lot of accounting practices will have favourable accounting software, and the majority of staff will be trained in one software, and their preference as the accounting company will be to place you as the construction company into their ecosystem and therefore use their preferred system.

But that doesn't really make sense for you.
So you need to expand beyond the accountant.

You need to go out and speak to other construction companies that are similar to you. Maybe you need to do a quick spot-check with a couple of other accountants.

And what you really want to establish is, what do companies that look like you use? Why do they use them? What does this accounting software offer you in terms of where you want to be? Does this particular software package offer you what you're going to need in terms of where you want to be in two or three years time?

Company Buy-In

Who is going to be driving this software, and what problems do you need your accounting software to solve for them?

To achieve company buy-in, you will need to understand how your accounts truly operate and how your staff approach accounting.

Bring your staff into the decision as you evaluate your different options for accounting software so they can see how each software will impact them.

The next question is: do you gather input from different teams in your organisation individually based on their department's use case, or do you gather feedback from your company as a whole?

This will be for you to answer, as you know your company best.

But whichever approach you take, the goal is still to make sure that everyone has the opportunity to submit their key asks and to win their buy-in.

Do You Need A Cloud-Based Solution?

If you think you'll ever need to manage your accounting from outside your office, then this is a hard "Yes."

Covid-19 changed the world of work. Remote working gives companies new flexibility in hiring decisions, and only cloud-based software facilitates such flexibility.

Integration

What integration does this package offer?

You have to always consider that accounting packages serve multiple industries. So it's never going to get into the nitty-gritty that you want to get into. It's never going to tick every single box. So you have to take a bit of the good with the bad here, but plugins are the answer to this.

If the system falls over in a certain area, what are they offering from an integration point of view that allows you to solve that problem? Having a deep look at what they offer in terms of integrations and plugins that you may require going forward is important.

Training & Support

Xero relies heavily on their partner program. If you're going to a partner that you have an existing relationship built with, they're going to support you.

If you are buying Xero direct and looking after the setup yourself, you're going to rely on Xero's online support.

Sage has quite a good support network, they also rely heavily on their channel partners and QuickBooks offer 24/7 support.

What's important to your business? Ask yourself, what level of support do companies like mine receive. What you're trying to get to here is setting expectations.

If you contact them today with a support issue, when should you expect to receive support on that particular issue?

What if you get a new employee? Is that going to be an ongoing cost? So if every new employee comes onto the system, is this something that'll be picked up?

Will it be self-taught?

Is it something that you're going to have to advertise, that they must be experienced on this particular software package?

Or is it a fact that you're going to have to re-train people each time you employ, and is that a cost that you need to consider too?

Price

Most of the accounting packages, when you look at them at face value, are quite similar in price, but it's when you start to add on things like maybe you need more users, or for a certain functionality to work, it's going to require a plugin. It's not what the list price is, it's going to be more like the training costs, the add-on costs.

You need to think about what you believe you're going to need on this particular product going forward, and then make a decision about what that process looks like in terms of when you add on plugins, when you add on users, what does the end-game look like?

You need to make a list of criteria of what is really important to you as a company. So plugin, add-on, extra project feature, for example. It's going to give you an extra layer of detail.

It's very difficult to make that informed decision without getting your hands onto these systems. You don't yet know what certain plugins may do, because you're using something different today.

Maybe you're using a different accounting software plus Excel, and you're looking at this other option where it's fully integrated. The best option would be to get a demo and find out.

Conclusion

In an ever-evolving business landscape, the importance of having the right tools at your disposal cannot be understated.

It is our sincere hope that the insights presented in this ebook have provided clarity and equipped you with the knowledge to make an informed decision that aligns with your company's unique needs.

As you move forward, it's pivotal to not only reflect on the functionalities you prioritise, but also to consider factors such as user experience, scalability, and integration capabilities.
Engage with key stakeholders within your company, gather feedback, and perhaps even consider a trial run with potential software choices to evaluate their real-world applications and benefits.

Remember, the goal is to find a solution that not only addresses immediate concerns but also positions your business for future growth and challenges.

We encourage you to continue your research, reach out to experts, and leverage forums or user reviews to further inform your decision.