

Quicken® or QuickBooks®: What's the Best Choice for Agricultural Producers?

Damona Doye

Sarkeys Distinguished Professor

Oklahoma State University Agricultural Economics Department

Keywords: Financial records, software, Quicken, QuickBooks®, accounting

Farm records are the foundation from which many on-farm decisions are made and offer invaluable insights into business strengths and weaknesses. Agricultural producers seek inexpensive, easy to use tools that accomplish a variety of management tasks. While a few commercial products have been developed that are customized for agriculture, they are often relatively expensive or cumbersome to use. Many producers use commercial software marketed primarily for other uses, primarily, Quicken® which is sold for personal finance and QuickBooks® targeted to small business finance.¹ Both tools can be used to help support farm management functions, including anticipating income and expenses in a changing economic environment; communicating with and reporting to business partners, lenders and government agencies; managing and paying employees; and analyzing the business. Recordkeeping software enables users to quickly record, then sort and summarize records in a variety of ways. This article compares and contrasts the applicability of two popular commercial software packages for use in farm/ranch financial records. The features of Quicken® and QuickBooks® are highlighted and their advantages and disadvantages in supporting farm management functions are discussed. Both tools are relatively easy to use and flexible. For many farmers, Quicken® is an inexpensive alternative with advantages for producers who want to track both family and farm income and expenses and/or have off-farm investments. For larger producers with multiple employees and/or the need to invoice and track accounts payable/receivable, QuickBooks® is clearly superior.

Basic Differences in Quicken® and QuickBooks®

Quicken® is an inexpensive, flexible personal finance software tool that offers an easy-to-use affordable starting place for computerized records, with excellent cash flow features plus investment monitoring. QuickBooks® is the dominant off-the-shelf package for small business accounting and facilitates invoices, accounts payable/receivable and payroll. Like Quicken, it is relatively inexpensive compared to customized software and can be

¹ Mention of a specific product does not imply endorsement.

adapted for use in a wide variety of agricultural businesses as well as non-agricultural business enterprises.

Both Quicken® and QuickBooks® offer the ability to download transactions from online bank and credit card accounts. Both include import and export features, though with different applications. Reports can be exported to spreadsheets for further analysis or summary. Both programs continuously backup data entry (of course, users are well-advised to create external back-ups in the event of computer failure). Quicken® files can be imported into QuickBooks® if the producer later requires a more sophisticated financial record keeping system.

Table 1 highlights some of the differences between Quicken® and QuickBooks® in terminology, features and data entry that impact farm/ranch recordkeeping. The delineation between the two programs is driven by two factors:

1. Quicken® is a cash accounting program; QuickBooks® is an accrual accounting tool.
2. Quicken® is designed for personal finance; QuickBooks® is targeted to small businesses. Though Quicken® Home and Business adds features for small business use such as invoices and reports, they are not integrated with accounts payable and receivable as they are in QuickBooks®.

Ease of Use

Quicken® is easy for people unfamiliar with accounting terms to use, making it a good place to start when changing from a hand-kept cash accounting system to computerized records. Likewise, Quicken's checkbook register base makes for a familiar environment to begin computerized recordkeeping. Though it can be used as simply as a cash accounting system/check register if that is all that is required, QuickBooks® double-entry accrual accounting base and terminology are much more readily grasped by users with some exposure to accounting.

In Quicken, data is entered in the account register whereas in QuickBooks®, the recommended strategy is to enter transactions in forms. For instance, an invoice (or estimate prior to the invoice) is entered with later entries for bill payment. Both programs facilitate reconciliation of bank and credit cards with financial institution statements.

Because of their wide adoption, users can compare notes on applications and features of either program with a variety of users. Both programs offer a variety of built in and on-line Help resources, plus have support through videos, forums, blogs, Facebook, Twitter, YouTube, and LinkedIn.

Farm Adaptation

Although Quicken® includes only home and general business income and expense categories, farm income and expense categories are easily added. Importing a farm category list created elsewhere that includes feed, fuel, fertilizer, etc. minimizes the effort required to develop a beginning chart of accounts (see, for instance, http://agecon.okstate.edu/quicken/download_sample_files.asp). In QuickBooks®, indicating an agricultural businesses in the interview process to set up the company establishes a Chart of Accounts linked to basic Schedule F agricultural items. The legal entity choice in the setup interview in QuickBooks® affects the default chart of accounts, namely, how accumulated depreciation, capital stock, payroll liabilities, dividends paid, draws and crop sales are treated for tax purposes. In both Quicken® and QuickBooks®, labels in the category list and chart of accounts respectively can be edited, added or deleted, allowing customization to match the individual business needs.

Monitoring Cash Flow

Both Quicken® and QuickBooks® generate cash flow reports. In Quicken®, cash flow reports are a standard report. In QuickBooks®, profit and loss default reports must be repurposed and customized to serve as cash flow reports. Annual, quarterly, monthly, year-to-year comparisons are easily created. Loan monitoring features are similar in Quicken® and QuickBooks®. Loans can be amortized with scheduled payments retained for future use.

Enterprise Accounting

Quicken's "tag" feature can be used with categories to further identify transactions by enterprise, by partnership share, or by farm. This facilitates sorting and summarizing the information in different ways for reports. For instance, if seed and other crop production expenses are tagged for wheat or alfalfa, at year-end, cash flow reports can be generated to show the net cash income associated with the two activities. This information is valuable in beginning to identify profit and loss centers within the farm business. A similar "class" feature can be turned on in QuickBooks® to allow income and expenses to be associated with a particular project or production activity.

Lists

For agricultural users, a major shortcoming in Quicken® is the inability to easily summarize physical data associated with individual financial transactions, making it hard to

integrate production and financial records in reports and analysis. QuickBooks® is designed to maintain inventories of products that are bought and resold so it is also not ideal for agricultural producers. However, QuickBooks® lists for items, vendors, customers and employees increase the opportunities for sorting and summarizing information over that offered by Quicken®. For farm management purposes, the item list is particularly valuable if a producer sells something other than commodities and wants to track sales by item. This information provides insights into not only the number and dollar value of sales but also the percent of sales and average price. Thus, the producer can quickly identify large value or volume items and consider focusing more time and resources on them; at the same time, low volume and value items can be marked for possible discontinuation. Items can be products or services. For the value-added producer, QuickBooks® also includes the opportunity to build price level lists and tax code lists.

Balance Sheet

Neither Quicken® nor QuickBooks® offers a ready feature to record both cost and market value of assets as is recommended by the Farm Financial Standards Council. With both programs, depreciation calculations must be done by hand or with other software and only one form of depreciation (tax or economic) is easily associated with an asset. QuickBooks® has the advantage of a fixed asset item list in which purchase date, account, and cost can be recorded which facilitates asset inventory and records of associated depreciation. A report with cost basis information can be exported to a spreadsheet in which market value can be added. In Quicken, accounts for individual assets or groups of assets (e.g. machinery) would need to be created. While a category for depreciation can be added in Quicken, the user would then need to customize many reports (e.g. cash flow) to exclude the depreciation category as the default in standard reports is to include all categories. Thus, it is usually easier to create and maintain an asset inventory in a spreadsheet rather than in Quicken.

Reports

Quicken® offers a variety of reports and graphs focused on banking, investing, spending, comparison, net worth and balances, and taxes. In Quicken, folders can be created for storing customized reports, e.g. business reports versus consolidated reports which include both farm and family income and expenses. QuickBooks® includes more than 100 default reports under group headings: company and financials; customers and receivables;

sales; jobs, time and mileage; vendors and payables; employees and payroll; banking; accountant and taxes; budgets. In both programs, default reports are easily generated and can be customized to filter information, for instance, to exclude accounts or categories.

Budgets

In both Quicken® and QuickBooks®, whole farm budgets can be built from “scratch” or based on historic records. In addition, individual income and expense items can be updated and modified. Quicken® offers more features for modification; QuickBooks® allows budgets to be developed for classes and projects from historical data. Both Quicken® and QuickBooks® include standard comparison reports that highlight budget versus actual figures.

Financial Calculators

Quicken® offers several handy built-in calculators: loan, refinance, savings, retirement, and college. The loan calculator allows users to estimate either a loan amount (given an interest rate, number of years, periods per year, compounding periods, and payments per period) or payment per period (given other terms). The refinance calculator calculates the number of months needed to breakeven on a proposed new mortgage in comparison to an existing mortgage with new closing costs. Other calculators include the appropriate decision parameters and operate similarly.

Personal Finance Features

In the U.S. most farm families earn more than half of their income off-farm (United States Department of Agriculture Economic Research Service). Though QuickBooks® omits any reference to personal finance, accounts can be manually added. Users would then need to customize reports to exclude accounts which are not business related. Quicken® offers clear advantages in managing and monitoring family finances. Income and expense categories include standard lists for investors, homeowners, small business owners, and users who are married and/or have children. Personal bills can be paid electronically and information for personal tax reports can be recorded and summarized. Investment features are extensive, ranging from monitoring the value of a portfolio of stocks and mutual funds to projecting capital gains with planned sales.

Payroll

In Quicken, no features are included to facilitate entry of payroll data for employees. Appropriate categories and accounts can be added to record information; however, calculations must be done externally. A feature is included for users to enter transactions for off-farm salaries earned, which can be split to record various taxes, deductions and withholdings.

QuickBooks® offers a variety of employee recordkeeping options and payroll subscription services. Employee information can include personal information, payroll and compensation, and tax information. Payroll subscription services range from basic online payroll software with no state tax forms for \$25 U.S. per month to QuickBooks® Assisted Payroll Services at \$60 per month. For producers with few employees, a manual payroll feature can be enabled.

Multi-user Features

Quicken® is designed to be used by a single user; QuickBooks® offers versions specifically designed to meet the needs of multiple users. Quicken® allows password protection on the file and transactions; QuickBooks® offers multi-level passwords so that multiple employees can be allowed access to targeted areas of the business records, for instance, sales and accounts receivable, purchases and accounts payable, checking and credit cards, inventory, time tracking, payroll, sensitive accounting activities or financial reports.

Cost

Both Quicken® and QuickBooks® are relatively inexpensive. Quicken® Deluxe 2011 can currently be downloaded for \$59.99 from www.intuit.com; QuickBooks® Pro 2010 is listed at \$159.95. Near the end of a calendar year, discounts are often offered ahead of a new software release. Although invitations to update software are sent annually, less frequent updates are sufficient unless certain payroll and tax-related features are used (specifically, in QuickBooks®).

Summary and Conclusions

Agricultural producers continue to be challenged to become better managers of their resources and effective management information systems are key. At the core of the management information system, agricultural producers need a flexible, easy-to-use, and efficient record keeping system. Both Quicken® and QuickBooks® offer features that

enable producers to record, sort and summarize cash income and expenses by enterprise or production activity. Both offer a variety of reports that support business analysis and communication with business partners, lenders and government agencies.

For producers who are small, whose personal and farm/ranch business finances are not entirely separate, who produce commodities only and who do not want payroll services or invoicing and accounts payable/receivable capabilities, Quicken® is an inexpensive, easy to use software tool that offers much flexibility and utility in recording transactions and sorting and summarizing them. For producers who need accrual accounting features and payroll services, or who want to allow accountants to further process transactions using Asset Manager or similar features, QuickBooks® is required. For personal investment features, Quicken® is necessary. Hence, review of the two packages suggest that use of Quicken® (or a similar software tool) could be beneficial to all farm families as all have personal expenses, many have off-farm jobs and some have off-farm investments. However, some farm families will also require QuickBooks® (or a similar tool) to meet small business needs that are deficient in Quicken.

Table 1. Differences Between Quicken® and QuickBooks®

Quicken®	QuickBooks®
Terminology	
File	Company
Account	Chart of accounts: asset/liability accounts. Legal entity choices impact chart of accounts, tax attributes
Categories	Chart of accounts: Income/expense accounts
Subcategories, but no subaccounts	All accounts can have subaccounts
Tags	Classes (edit Preferences to enable)
Payee	Vendor
Paid by	Customer
Features	
Cash accounting	Accrual accounting (can create cash basis reports)
Personal finance	Small business finance
Record family living expenses, off-farm income	Must be manually added
n/a	Can convert Quicken® files to QuickBooks®
Track investments	n/a
Financial calculators: Loan, savings, retirement, refinance, college	n/a
Budget features	Budget features are more limited
Loan tracking and amortization	Loan tracking and amortization
Download electronic credit card, bank information	Download electronic credit card, bank information and credit card processing service
Passwords: File or transactions	Multi-level passwords
Payroll: Create accounts, calculate and enter manually.	Payroll subscription service. Can enable manual entry.
n/a	Integrated invoicing, accounts payable and receivable
n/a	Employee records
Data entry	
Enter transactions in register	Enter transactions in forms (invoice window, etc.)
Write checks: personal check	Write checks: business check with voucher area
Enter payment	Enter bills, pay bills, assign check number
Enter deposit	Estimates, create invoices, receive payments, create receipts (or enter sales receipt)