A software company's case for using QuickBooks Online Advanced

by Matthew Fulton

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Contents

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To keep up with growth and operate more efficiently, it is not uncommon for fast growing, complex businesses to reach a point where they need the services of a skilled accounting firm, on top of a tax planner and preparer.

This was the case for a Southern California-based global software development house. After learning about the company's existing processes and ways of working, our firm, Parkway Business Solutions, designed and implemented new, streamlined workflows that completely transformed the way this company does business. QuickBooks Online Advanced, Intuit's highest tier of cloud-based accounting software for complex businesses, made the majority of these timesaving tasks possible.

Advanced enabled us to:

- Restructure and organize data entry across the business using Projects, one of the features in Advanced.
- Use enhanced custom fields to organize data and create a series of detailed reports.
- Create custom roles for staff to ensure information is always in the right hands.
- Put Advanced features such as Google Sheets integration, dashboard views, and workflows to use.
- Focus on advisory services and establish ourselves as a resource for ongoing financial and operations advice.

As a result of implementing software and process solutions, our client tripled its revenue, growing from $550,000 annually to $1.5 million in just three years. The redesigned workflow processes helped position our client to continue its upward trajectory without any of the hassle and frustration of the growing pains it once experienced.

Specializing in workflow design

Since Parkway's inception in 2010, our team has worked with numerous companies, each with its unique set of challenges. Initially, the only way to push forward our suggestions required the brute force of manual data entry, but over time accounting technology moved to the cloud, and we quickly recognized the opportunity this presented.

It was during this transition to the cloud that my perspective changed. I began to see an accounting platform for what it really is: a database of business transactions. While this definition may seem very basic, it was important because it led to the evolution of our business services with workflow design. This new view helped as we converted our clients using QuickBooks desktop to the cloud environment, especially if we encountered initial reluctance.

If I had to select one company from our client roster that has seen the largest improvement over the years, it would be a Southern California software development company we love to work with. We were first introduced by a local CPA firm familiar with our love of workflow design and processes implementation. The CPA firm provided tax services, but before they could file a return, the client's data needed to be cleaned up and caught up. We were hired for the job.

Company Profile		
Years	**2015**	**2018**
Industry: Software Development		
Description: Global Software Development House that works on projects for other development teams as well as directly with companies including Mercedes Benz		
Annual Revenue	**$550,000**	**$1,500,000**
Number of Internal Employees:	**3**	**4**
Number of Subcontracted Developers:	**50+**	**100+**
Transaction Volume:	**500**	**2,400**

Service-based businesses with complex needs

Before we could start on the cleanup project, we needed to evaluate the company's existing workflow processes. While most transactional information can be captured directly from a company's financial statements, the true details of transactions required additional supporting information.

The company established their own app stack, including Zoho CRM (customer relationship manager), Tick Tock Time Tracking (proprietary app), Google Sheets, QuickBooks Online, VEEM, and PayPal. By combining the capabilities of the various applications, our client created processes to manage the business. However, all these processes required an enormous amount of manual data entry.

We needed to prove something radical: improved workflow design could solve all their pain points. That compared with their solution, adding headcount. The company was persuaded to let us get to work. We developed a strategy to get them on QuickBooks Online Advanced because we knew Advanced was the perfeft fit for their complex needs.

Let's take their method for creating customer invoices as one example. Each time the company started a new project for a client, the team would create a new contact in three different apps: Zoho CRM, Tick Tock, and QuickBooks Online. As the developers worked on their assigned tasks, they would track their time in the company's proprietary system. At the end of each work week, the team would manually generate a detailed list of the hours worked by each developer. The company then used Google Sheets to track every aspect of developer time activities, including pay rate, bill rate, and other areas. They also used Google Sheets to track the time of activities by customer, associated projects, and assigned sales rep.

The company had no way to integrate all of its applications with QuickBooks Desktop other than old-fashioned manual data entry. It goes without saying that this was an enormous amount of work that consumed numerous staff hours. It also introduced opportunities for making critical errors. When we began our work together, the company had three staff members doing this work, including an internal bookkeeper who spent 30 hours per week processing invoices alone.

As the business grew and transactions increased, fundamental flaws within the workflow snowballed and grew difficult to manage. These manual processes increased overall workload and produced bad information. Each week, we met with our client to discuss the various inconsistencies found within their data. During these meetings, we worked closely with the owners to determine the changes that needed to be made.

We knew we needed to prove something radical: improved workflow design could solve all their pain points. That compared to their solution, adding headcount. The company owners were persuaded and let us get to work. We developed a strategy to get them on QuickBooks Online Advanced because we knew Advanced was the perfect fit for their complex needs.

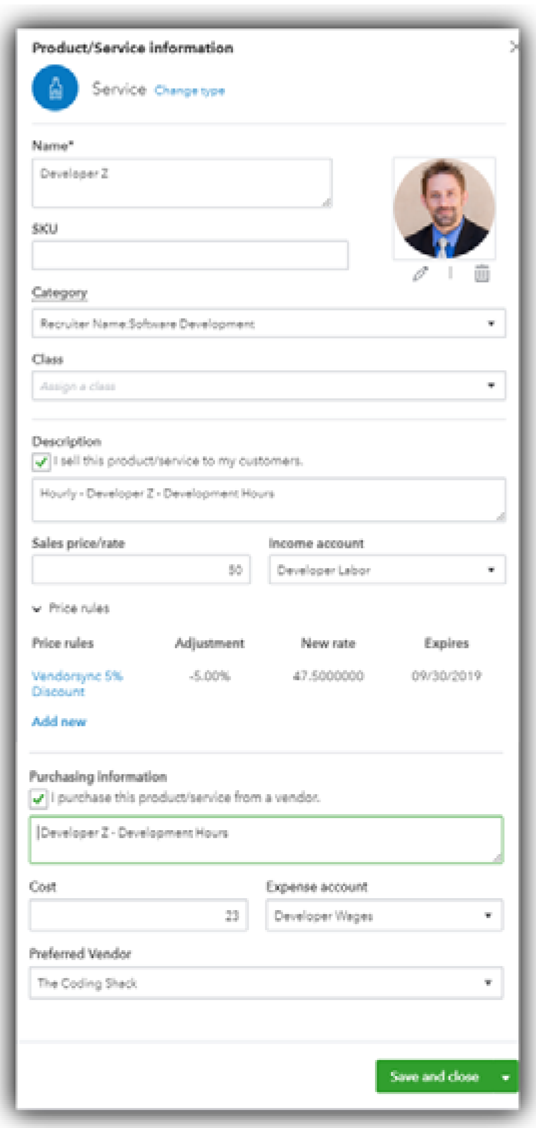
Why Advanced: **Projects in QuickBooks Online Advanced**

Before we could begin the import process, we needed to structure how the data would be entered in Advanced. Our client was using Google Sheets as their only means of tracking the activities of the business, so our goal was to start using the Projects feature within Advanced to make it possible to track profitability by job.

Previously, items had been used to create a new project that was selected for every related billable time activity. At the time of data entry, additional information, including the developer's name and the period of work, were added to the description line. The magic of our new workflow all focused around using items (services) to track the activities of each of the developers.

Every time a new developer starts with the company, we create a new item.

Category: The category field is used to track the recruiter responsible for finding the developer. This allows us to generate purchase orders for the developer's hours to track how many hours they worked and paid for at any given time.



Description: A default description is included at the item level but is replaced during the data import process.

Sales Price/Rate: This is the default bill rate for the developer's time.

Income Account: By setting up a separate accounting for markup, the account selected here can be quickly used to review whether the billable expense income matches the billable expense revenue in accrual basis. Any variance on that report signifies missing data.

Price Rules: Specialized discounts can be set up based on the customer type.

Purchasing Information: The information in the purchasing field is added to purchase orders automatically. By adding the developer's name, here, it will populate on the purchase order for the recruiter transactions.

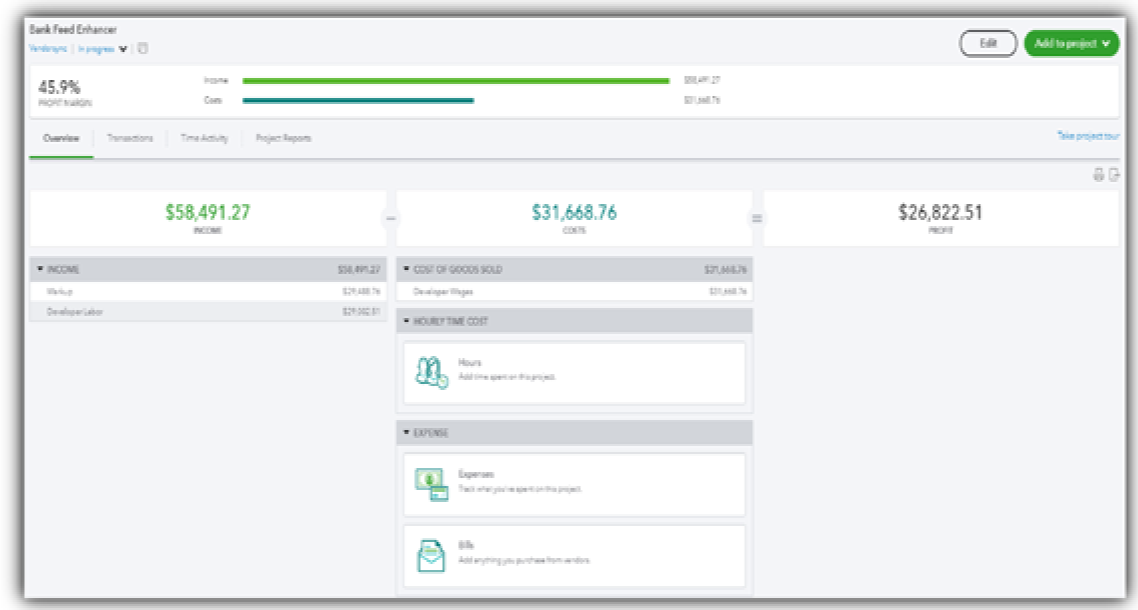
Cost: The cost is the actual pay rate for the developer.

Expense Account: The cost related to this service will be tracked to the specific account listed.

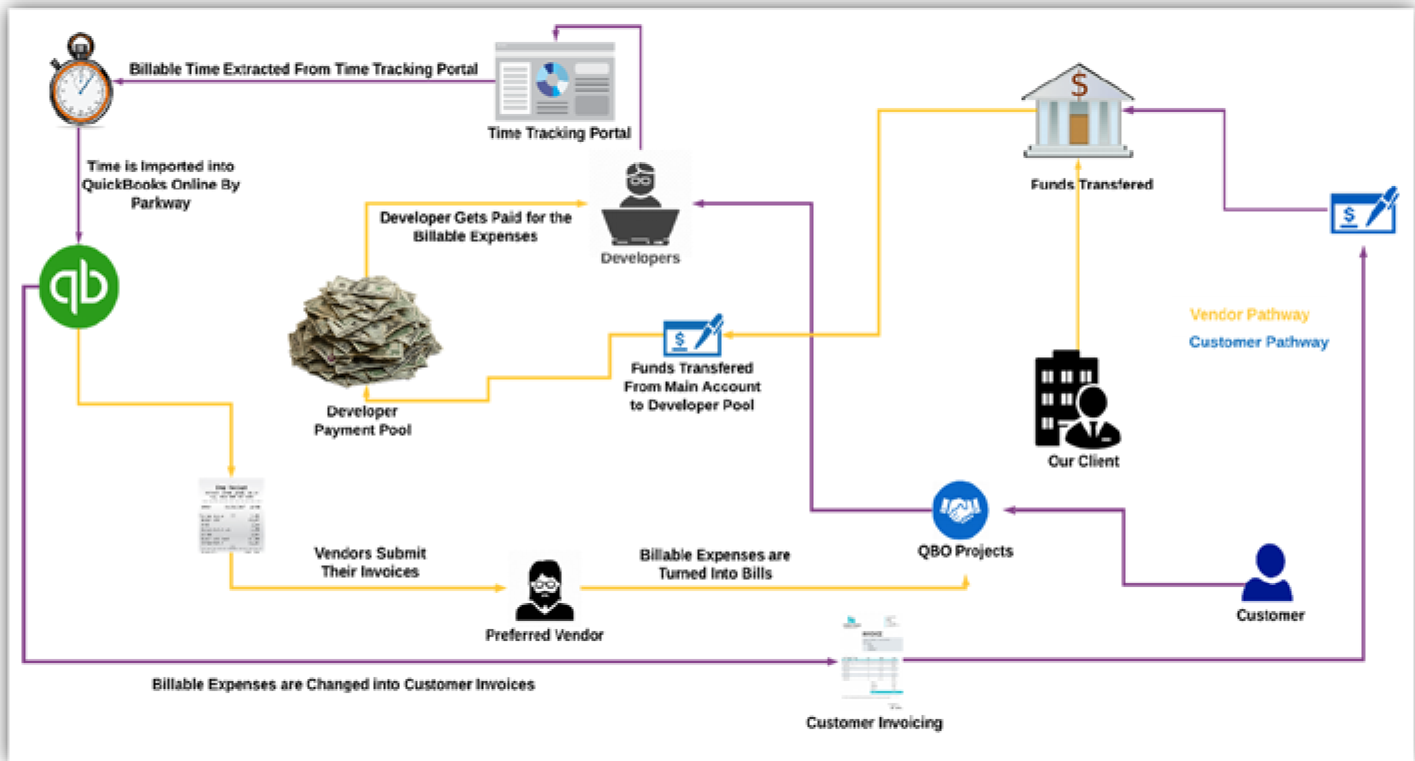
Preferred Vendor: The company hires some of their developers from other development houses. When this occurs, the payment for time gets paid to the third-party development house. This allows us to track the expense for the time worked to a specific company.

Implementing Projects gave us our first chance to track the company's overall profitability at the project level. Thanks to using Projects, we were able to quickly review any unbilled time or expenses assigned to a project to ensure that no developer expenses were accidentally missed.

Projects provided a way for them to track their own innovation spending. By creating a customer record named after our software company client, we generated a Projects entry within Advanced to track their own various expenses. This helped the company recognize how many internal projects were running at the same time and see the impact each one was having on the overall business.



Integrating the company's app stack with Advanced resulted in major improvements to the information the client is able to extract using these tools. The company continues to use most of these applications, with small modifications to the role each plays.



Parkway Tip: To better understand our current workflow, we have included a workflow diagram we created using an application called Lucidchart. Whenever designing custom workflows, we have found mapping the process out helps our team and our clients discover any potential challenges before we get started.

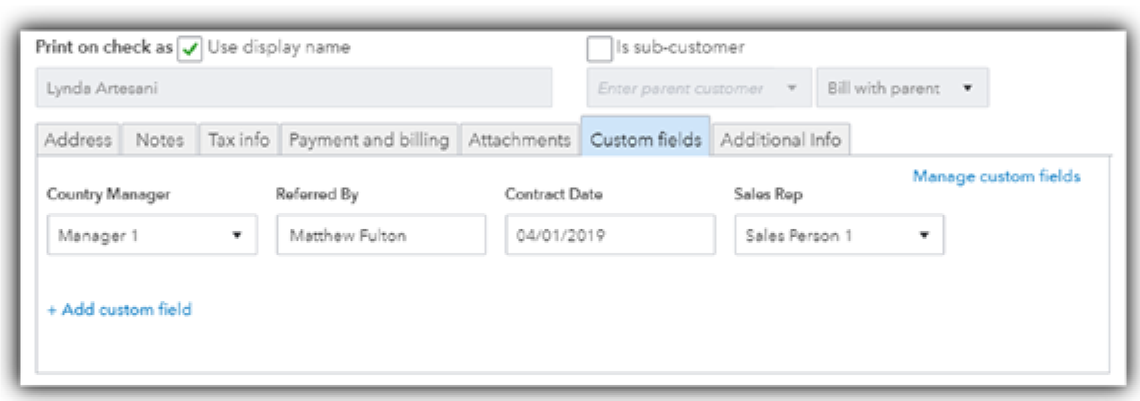
Advanced allows its users to bulk import invoice data. We added CDATA to the app stack to allow us to quickly push all the time entries into Advanced as billable expenses. Our new workflow centered around our ability to import this data at the item level. By structuring each developer as a unique item, we can use the data directly from the time tracking application, including the billable rate to the client. The new import process reduced the total time spent on data entry down to 45 minutes from 20-30 hours each billing cycle.

Once the import of data was completed, the information follows two different paths or cycles to create both the expenses as well as the revenues assigned to a project.

The Expense Cycle: By assigning each transaction to their own Project, we can use the expenses to track the money owed to each of the developers. Once the billable expenses import into QuickBooks Online Advanced, a bank transfer from the primary account to the developer payroll account is scheduled to arrange payment.

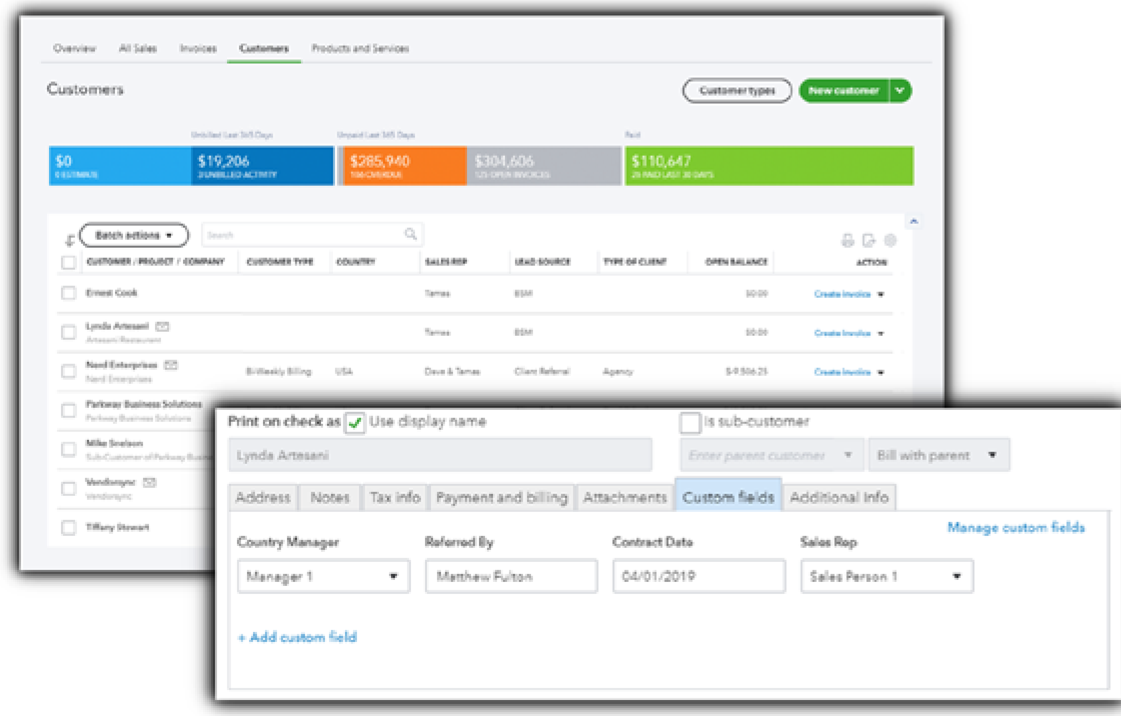
To ensure recruiters are paid commissions on the developers they referred, the total hours worked are tracked against a purchase order with the developer's name and the recruiter's custom field (more on custom fields to follow). Since implementing this new procedure, we were able to eliminate overpayments on commissions.

The Revenue Cycle: After all the billable expenses have been imported into their specific projects, a new invoice is created from the linked transactions. While creating each invoice from the billable expenses, each of the four custom fields are filled to ensure our ability to capture the data points that are important to our client.



Why Advanced: Using enhanced custom fields

Before QuickBooks Online Advanced, our client lacked a solid process to track additional data, except through multiple Google Sheets. After creating the following enhanced custom fields in Advanced at the customer level, our client can now track sales activity and project efficiency.



Country: The country custom drop-down field allows the company to track the projects by region for performance evaluation.

Type of Client: The type of client is a custom drop-down field is used to track if the client is an agency, start-up, direct enterprise, or established company.

Lead Source: The referred-by field is a custom text field that allows the sales associate to document where the project came from. This information is also within their CRM, but this field makes it easier to generate custom reporting within Advanced.

Sales Rep: Sales rep is a custom drop-down field that allows the company to track the sales performance of the different members of the sales team. This field simplifies the commission calculation process each month.

Customer Type: Customer type is used to define the payment schedule of the project. This is not one of the custom fields and has been specially coded to work with the pricing rules and specialized reporting within Advanced.

Recruiter: By establishing a custom drop-down field on purchase orders called "recruiter," we can use purchase orders to establish limits to the total number of hours commissions were paid. After generating a customized report grouped by custom field, we discovered more than 1,231 hours totaling more than $8,000 in commissions that would have been overpaid.

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Why Advanced: **Building reports using custom fields**

By implementing just a few of Advanced's enhanced custom fields, our team was able to dive deep into the sales data and return powerful reporting that helped us better understand the performance of the entire sales team. Examples of reports our software development client finds most valuable follow:

Accounts receivable by sales representative: Thanks to enhanced custom fields within QuickBooks Online Advanced, we tracked the days sales outstanding (DSO) for each sales rep; this helped us cut the rate nearly in half and dramatically improved the company's cash flow.

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A/R AGING DETAIL

As of September 8, 2019

DATE	TRANSACTION TYPE	NUM	DUE DATE	AMOUNT	OPEN BALANCE
▸ 91 or more days past due				$57,749.50	$53,509.50
▾ 61 - 90 days past due					
06/14/2019	Invoice	1837	06/29/2019	22.00	22.00
Total for 61 - 90 days past due				**$22.00**	**$22.00**
▾ 31 - 60 days past due					
07/12/2019	Invoice	1899	07/27/2019	275.00	275.00
Total for 31 - 60 days past due				**$275.00**	**$275.00**
▾ 1 - 30 days past due					
07/26/2019	Invoice	1933	08/10/2019	198.00	198.00
07/26/2019	Invoice	1956	08/10/2019	11,677.88	11,677.88
08/02/2019	Invoice	1989	08/17/2019	10,573.97	10,573.97
08/09/2019	Invoice	1967	08/24/2019	45.00	45.00
08/09/2019	Invoice	1990	08/24/2019	10,229.12	10,229.12
07/26/2019	Invoice	1929	08/25/2019	225.00	225.00
08/16/2019	Invoice	1997	08/31/2019	8,275.46	8,275.46
08/23/2019	Invoice	1998	09/07/2019	10,606.05	10,606.05
Total for 1 - 30 days past due				**$51,830.48**	**$51,830.48**
▾ Current					
08/09/2019	Invoice	1962	09/08/2019	30.00	30.00
08/23/2019	Invoice	2001	09/22/2019	150.00	150.00
Total for Current				**$180.00**	**$180.00**

Average mark up per developer by country or sales representative: Separating invoicing by the sales rep, we created a custom Transactions List with Splits report that provided the information we needed. This report still requires additional data manipulation in Excel, so we saved the customized report as a flat file to make it easier.

Vendor	Num	Memo/Description	Average of Marup %
⊟Seth David	⊞1481		-100.0000%
	⊞1505		-50.0000%
	⊞1551		42.8571%
	⊞1555		57.1429%
	⊞1579		28.7500%
	⊞1588		42.8571%
	⊞1608		57.1429%
	⊞1613		42.8571%
	⊞1615		57.1429%
	⊞1638		28.7500%
	⊞1648		42.8571%
	⊞1650		57.1429%
	⊞1675		28.7500%
Seth David Average			30.9000%
⊞Lynda Artesani			-50.0000%
⊞Tiffany Sterwart			-3.5714%
⊞Greg Cullup			32.3578%
⊞Matthew Fulton			18.5185%
⊞Mariette Martinez			36.6667%
⊞Hector Garcia			51.4214%

Total discounts given by sales representative: There are two different ways companies receive a discount toward a project: A direct discount at the invoice level and a discount generated by not billing for hours worked by the developer.

Thanks to the use of Projects, we are now able to evaluate the true expense related to a project compared to the revenues generated by that project. With the addition of enhanced custom fields, we can add revenues generated by sales representative as well. By modifying the information we previously exported, we can generate a custom report that shows the total number of hours considered non-billable. When we combined the total value of the non-billable hours with the invoice level discounts given, we were able to calculate the total discounts each sales rep had provided.

Thanks to enhanced custom fields within QuickBooks Online Advanced, we tracked the days sales outstanding (DSO) for each sales rep; this helped us cut the rate nearly in half and dramatically improved the company's cash flow.

Total sales by lead source: The ability to evaluate where referrals are coming from is important for every business. After this software development company started to track revenue at the invoice level, they were able to renegotiate some of their referral contracts. Additionally, it helped management recognize who their best referral partners were and ensure those relationships received the appropriate attention.

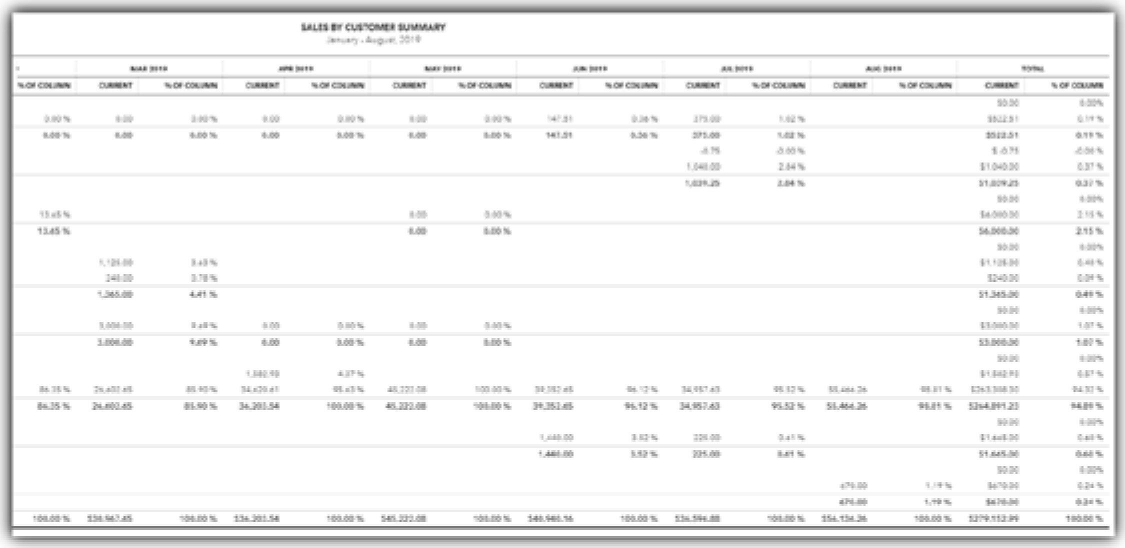
QB Community Live

SALES BY LEAD SOURCE

January - December 2019

DATE	TRANSACTION TYPE	NUM	MEMO/DESCRIPTI	AMOUNT	BALANCE	SALES REI	LEAD SOURCE	TYPE OF CLIENT
▾ Personal network								
05/31/2019	Invoice	1806	-100% marku...	-120.00	-120.00	Idalia...	Personal network	
05/31/2019	Invoice	1806	4218-Imre K...	120.00	0.00	Idalia...	Personal network	
06/14/2019	Invoice	1832	4301-Imre K...	175.00	175.00	Idalia...	Personal network	
06/14/2019	Invoice	1832	71.42857% ...	125.00	300.00	Idalia...	Personal network	
07/26/2019	Invoice	1927	4553-Imre K...	227.50	527.50	Idalia...	Personal network	
07/26/2019	Invoice	1927	71.42857% ...	162.50	690.00	Idalia...	Personal network	
08/09/2019	Invoice	1961	4640-Imre K...	70.00	760.00	Idalia...	Personal network	
08/09/2019	Invoice	1961	71.42857% ...	50.00	810.00	Idalia...	Personal network	
Total for Personal network				**$810.00**				
▾ Galvanize Incubator								
05/03/2019	Invoice	1748	4066-David L...	35.00	35.00	Idalia...	Galvanize Incubator	Direct - Startup
05/03/2019	Invoice	1748	4067-Marton...	20.00	55.00	Idalia...	Galvanize Incubator	Direct - Startup
05/03/2019	Invoice	1748	-100% marku...	-20.00	35.00	Idalia...	Galvanize Incubator	Direct - Startup
05/03/2019	Invoice	1748	-100% marku...	-35.00	0.00	Idalia...	Galvanize Incubator	Direct - Startup
Total for Galvanize Incubator				**$0.00**				

Sales by customer summary by sales representative: By generating the Sales by Customer Summary reporting and adding the % of Column check box for a specific sales rep, it is possible to evaluate what percent of business is coming from any given client. This valuable report can help your sales team to see how much business comes from new projects versus existing projects each month.


SALES BY CUSTOMER SUMMARY

January - August, 2019

For more about how to put Advanced's enhanced custom fields to work for detailed reporting, check out this [Parkway presentation](#).

Why Advanced: **Get granular with Advanced's custom roles**

As their business continued to grow and they added additional employees, Advanced's custom roles feature resolved one of the most significant concerns for our client. With each added employee, the specific duties of staff members became more precise. The owners needed better role-based permissions to strengthen their internal checks and balances.

Before Advanced, limited user permissions required the internal team to process more of the daily transactions to avoid sharing the company's financial position with the wrong audience. Fortunately, Advanced's custom roles can be configured to allow internal staff to match up the deposit details within the banking center without also seeing additional financial information like account balances.

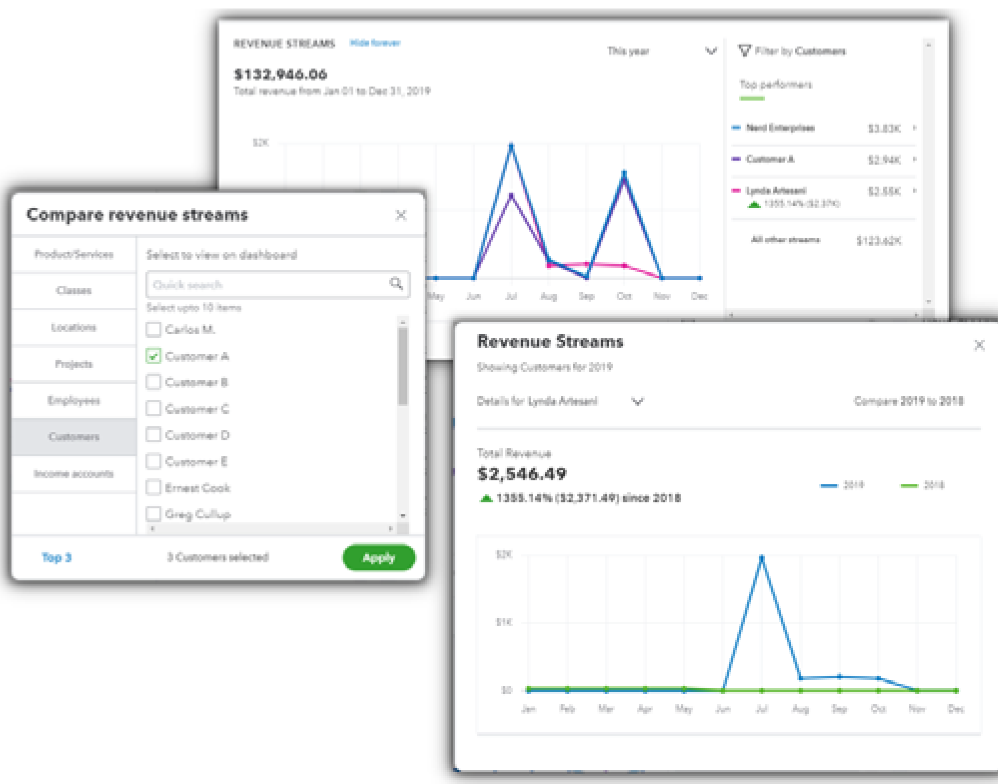
Why Advanced: **Google Sheets integration**

Initially, the company was very particular about and overly reliant on Google Sheets, since it was their only tool for tracking all the activities of the business in one place. Understanding that projects are more successful when incremental changes are made over time, we developed a unique import process that helped tie the information on the Google Sheet to their Advanced company file. This process was accomplished by using [CDATA's Excel Add-In for QuickBooks Online] data import tool.

Why Advanced: **Revenue streams and cash flow trendline reports**

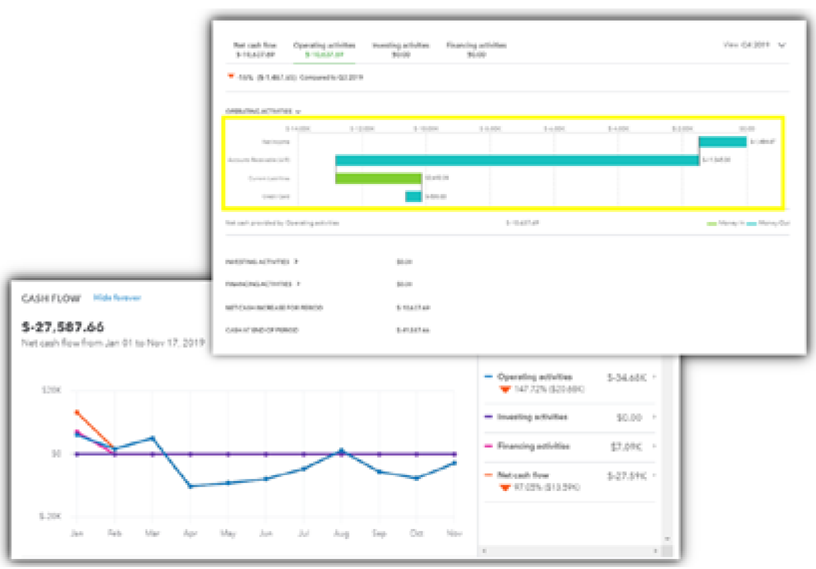
The revenue streams and cash flow trendline reports in Advanced have proven to be one of our client's favorite new tools. While most of the financial reporting for this company is not handled in Fathom, another of Advanced's premium features, the reporting cards on the dashboard provide valuable information that help the owners make better financial decisions.

While evaluating your revenue streams, Advanced can filter and display data by the following options: products/services, classes, locations, projects, employees, customers, and income accounts.



After selecting which datapoint you wish to track, you can either choose up to 10 items to compare or choose to display the top three performers. Since our workflow redesign for this company centered around the use of items for the various developers working on projects, we can quickly evaluate which developers are generating the most revenue for us each month, quarter, or year.

Revenue streams and cash flow data is displayed via a simple clean chart, which also allows you to select a specific point and dive in for more detailed, granular information. The ability to compare revenue stream totals against the prior period have helped us spot trends in the annual sales cycle so we can advise our client on how to make better plans for the busy season.

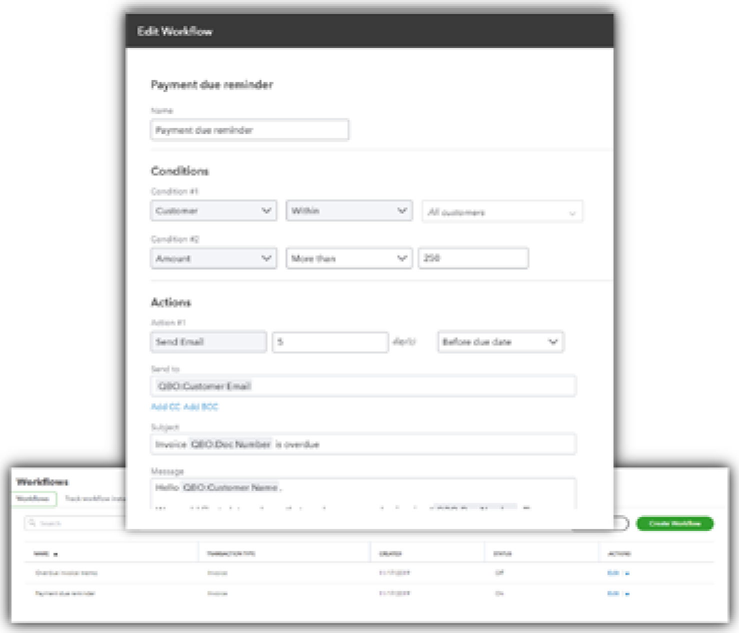


Advanced's revenue streams and cash flow features helped in another important way with our client. With all the new available data, we uncovered the real reason for their ongoing cash flow issues. From our review, we knew the total sales volume was strong enough to support the developer hours being paid out. More importantly, the gross margin on those hours easily covered the expected expenses.

So, where was all the money hiding? Now the answer was staring us right in the face and easy to see! The company had been so busy generating new sales that they did not have a specific person assigned to collect payments or contact clients when their bills went past due. Problem found and fixed.

Why Advanced: **Automate with workflows**

Advanced now has workflows (previously called managed routines), which helped us automate more of our client's collections process. They now have an automated email reminder that goes out to clients informing them of their balance due. Additionally, we are able to note the overdue status directly in the description so it displays when customers open the message online. Advanced's workflows also allowed us to setup an internal reminder to send any unsent invoices to customers.



"Since working with Parkway Business Solutions, our team has seen measurable improvements in the organization and efficiency of our accounting workflow. After upgrading to QuickBooks Online Advanced, the Parkway team implemented the new custom fields feature to help us track vital data points in our sales cycle. Thanks to these enhancements, I have finally been able to shift many of the time intensive task off my desk, allowing me to focus on the growth of our company."

Dave Erickson, CEO

Why Advanced: **Priority Circle premium care**

Before moving to Advanced, our team averaged between 10-12 hours every month, either training new internal employees at the company or answering "how to" questions about the software. While our monthly service agreement includes a buffer for additional time spent outside the normal scope of work, it was very common for our client to exceed the allotted time.

The best part of Priority Circle support has been our ability to redirect the time we were using to help with these issues toward more important tasks, such as focusing on the growth and success of the company.

Priority Circle membership comes with Advanced's subscriptions, so when our client began to rely on its customer success agents for those queries, not only did we see a reduction in the additional billable hours we charged monthly; we also noticed an increase in the efficiency of their internal team. Previously, if an employee experienced a challenge, they would stop working until we could help resolve the issue. But, with Priority Circle, the team was able to schedule a time for support to contact them directly. The best part of Priority Circle support has been our ability to redirect the time we were using to help with these issues toward more important tasks, such as focusing on the growth and success of the company.

Unique solutions and satisfied clients

When I reflect on the transformation this company has gone through over the past two years, it reminds me why our team specializes in workflow design. With every new client, our six-step process is always the same:

1. Evaluate the status of the accounting.
2. Catch up and clean up any historical information.
3. Interview the key stakeholders to determine the primary pain points to resolve.
4. Evaluate the current operating procedures for potential bottlenecks.
5. Design and present suggested workflow improvements.
6. Maintain the company financials while implementing the new workflow.

While our process may be the same for every new client, the solution is always unique. Thanks to the introduction of cloud accounting, it is now possible for a company to customize its workflow to meet the needs of the business. For some, these customizations may be as simple as upgrading the subscription level of their current accounting platform. For others, it may require adding third-party applications into the mix. Parkway's workflow design improvements, plus Advanced's unique suite of accounting tools, became the best way to serve this software development company. In all situations, finding the best solution always involves knowing the best tool for the job.