



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

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

¹ Mention of a specific product does not imply endorsement. This article is adapted from a paper presented at the 18th International Farm Management Congress, Methven, New Zealand, March 2011. Information about the International Farm Management Association is available at <http://www.ifmaonline.org/>

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Both Quicken® and QuickBooks® offer the ability to download transactions from online bank and credit card accounts. Both include import and export features 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. Tables 1 and 2 highlight 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 procedures.

In Quicken®, data are 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 card accounts with financial institution statements. Because of their wide adoption, users can compare notes on applications and features of either program with a variety of other 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.

Table 1. Differences Between Quicken® and QuickBooks® Terminology.

Accounting Feature	Quicken®	QuickBooks®
Name for virtual storage unit for business financial records (analogous to the file cabinet)	File	Company
Unit within which transactions are entered (analogous to the file folders within the file cabinet).	Account Can be matched to checking, investment, liability accounts, etc.	Chart of accounts: asset/liability accounts. Sub-accounts offer a second level of detail
Labels to group income and expenses for summary and sorting	Categories Subcategories offer a second level of detail	Chart of accounts: Income/expense accounts Sub-accounts offer a second level of detail Legal entity choices impact chart of accounts, tax attributes
Labels allowing transactions to be sorted and summarized independently of the income/expense label	Tags	Classes (edit Preferences to enable)
Name of entity to whom a payment is made	Payee	Vendor
Name of entity from whom payment is received	Paid by	Customer

Table 2. Differences Between Quicken® and QuickBooks® Terminology.

Quicken® Features	QuickBooks® 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 and credit card processing service	Download electronic credit card, bank information and
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)

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 business 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 and 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 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 insight 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 built-in 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®.

Income Statement

Income statements provide useful information for farm decision-makers and analysts. While one of the report choices in Quicken® is a profit and loss statement, given its cash accounting nature, this label is less than accurate and the report is generally indistinguishable from the cash flow report. An alternative is to export the cash flow to a spreadsheet (which is easy) and make the necessary accrual adjustments for an income statement. In QuickBooks®, if the user has developed a complete chart of accounts including depreciation and asset inventories plus has made all necessary journal entries and adjustments, an accurate profit and loss statement can be generated.

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. Reports are easy to generate in both programs. Step-by-step instructions for creating key reports plus video clips demonstrating the steps are accessible at agecon.okstate.edu/quicken. Basic QuickBooks instructions, also with step-by-step instructions are available at <http://agecon.okstate.edu/faculty/publications.asp>

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 break even 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. QuickBooks® does not include financial calculator tools.

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 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 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 can currently be downloaded for about \$75.00 from www.intuit.com; QuickBooks® Pro is approximately \$250.00 for a desktop product. 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®.

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