

Q-Tips

by Alan M. Friedman, CPA



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musicians and bands, music stores, instrument and product manufacturers, recording studios, music schools and other music industry professionals. Alan resides in West Hartford, Connecticut with his wife and three children. In his spare time, he records music in his basement studio (www.alhomeboy.com) and plays lead guitar in the all-CPA rock band "The Accounting Crows" (www.accountingcrows.com) and the print music industry band "Printz." E mail Alan at money@drumheadmag.com.

Ask a musician to record a note-perfect blazing solo within the last 15 minutes of studio time on a tune he's never heard before with no charts, and you'll probably get "Uh, okay...let's give it a try." Ask the same musician to gather financial data to prepare their tax return and you'll likely see him or her begin to sweat, break out in a rash, feel faint and then slip into a deer-in-the-headlights-like stupor.

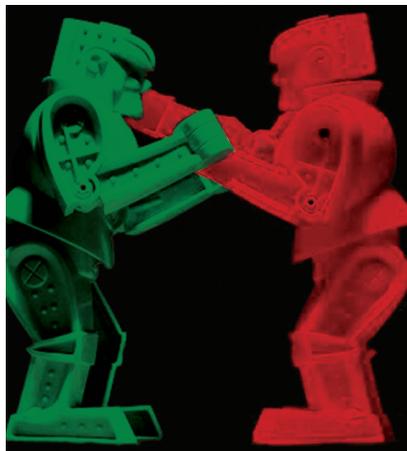
No matter where their fear stems from – be it from paying taxes today on income earned and spent 10 months ago, or the general fear of being audited by the IRS – the laborious and tedious task of gathering all of the data required to correctly prepare one's tax return can seem like an insurmountable task. But that fear can easily be diminished by simply using readily available, inexpensive, personal & business accounting software.

Sure, every accounting software program has some sort of learning curve and begs the initial question "Which software package should I use?" Over the past 25 years, I've grown fond of a few different accounting software packages, but have become a big fan of two specific packages due to their immense capabilities, ease of use, low cost, wide support and general "good fit" to most self-employed individuals and small businesses (especially musicians and other music industry businesses and professionals). Accordingly, I thought I'd give you, the readers of **DRUMHEAD**, some insight into arguably the two most popular accounting software packages in use today – "Quicken" and "QuickBooks," both developed by Intuit (www.intuit.com).

Choosing The Right One

Just like most drummers wouldn't think about using some bombastic kit with two 26" kick drums on a nice, quiet, jazz gig, so goes the same with picking the right accounting software for your music business. Since we're focusing on just on these two software solutions, here's my general take on whether to use Quicken or QuickBooks for your musical career or business, large or small.

In simple terms, Quicken is an easy-to-use "checkbook manager" appropriate for most individuals wanting to track their



personal finances and/or their business revenues and expenses. It's a great software solution for the music hobbyist, the gigging musician, the self-employed music professional (like a studio engineer), or a small "cash basis" business like a sole proprietor music teacher. It allows the user to generate a variety of useful and detailed transaction reports, cash flow summaries, and investment statements and graphs.

QuickBooks, on the other hand, is a much more robust accounting software package, as it has a fully functioning general ledger, customer invoicing, bill tracking, accounts receivable & payable processing, and a full array of customizable financial statements and management reports. QuickBooks is suitable for most small to medium size businesses, like a recording studio, music education school, instrument rental business, and touring band of musicians.

Both packages allow you to enter all kinds of deposit, expense and account transfer transactions, memorize payees and their default addresses and income/expense category, print checks, download transactions from any online banking site, maintain budgets, and split each income item received or expense paid to its proper category for daily, weekly, monthly, quarterly and annual reporting.

So, which one should you use? If you're primarily interested in tracking finances, printing checks, reconciling your checkbook(s) and printing detail and summary reports, Quicken is probably the right package for you (especially if you have no or limited accounting knowledge about charts of accounts, debits & credits, balance sheets and income statements). However, if you need to do all of the basic stuff just mentioned, plus generate invoices and statements for your customers, track unpaid bills owed to vendors, handle inventory, track loans or produce financial statements for your banker, QuickBooks is a must.

So Many Flavors

You may find it a little confusing when you discover that both Quicken and QuickBooks come in a variety of "flavors" (like Quicken Basic, Quicken Deluxe, Quicken Premier, QuickBooks Pro, QuickBooks Premier, QuickBooks Enterprise Solution, and a few others). While there are different features found in each version, they all have

the same core capabilities within each family of Quicken and QuickBooks software. They are all general-purpose accounting programs that are enjoying growing popularity because they're easy to learn and use, very flexible, offer features useful in most businesses, and are relatively inexpensive for the power and capability found in each package.

So what are the differences between each version within the Quicken and QuickBooks families? The main difference between the various versions of Quicken is the additional software functions included in the more expensive versions, like investment tracking and retirement planning. The same goes for the various versions of QuickBooks, like time & billing and inventory tracking.

It's All About The Benjamins

Quicken runs on both PC and Mac operating systems, and ranges in price from around \$40 to \$90, depending on the version you buy. QuickBooks is designed to mainly run on a PC platform, and ranges in price from around \$150 to \$375, depending on the version you buy. There is a more costly version, called QuickBooks Enterprise, which enables you to use other industry specific add-on modules, like "point-of-sale" processing for retailers, and material planning for manufacturing firms. But most "personal service" businesses (like recording studios and touring bands) probably only need the capabilities of the lesser expensive QuickBooks versions.

All that said, the answer to the question "Which version of Quicken or QuickBooks should I use?" isn't always an obvious one. Making the choice depends on a lot of factors, like your knowledge of accounting, or whether you have employees. If you have employees or want double-entry accounting capability, go with QuickBooks. If you have a sole proprietorship and you simply want checkbook accounting, try Quicken. Here are some of the basic differences between the two packages:

Oh, The Web We Weave

Some of our business clients are exploring and utilizing the capabilities of the relatively new "QuickBooks Online" solution - a web-based version of Quick-

Books that allows users to maintain their accounting data on an Intuit-supported server and access that data over the internet. Before some of you immediately dismiss the notion of maintaining your company's accounting data on a remote server, think about the benefits you can derive from using this new QuickBooks online service: the ability to process your business data with the latest version of QuickBooks, the ability for you and you

accountant to view your financial data from anywhere where there's an internet connection, the daily back-up of your most critical business data at a secure remote location, immediate access to your company's financial data in the event of a disaster, and all of this for a couple hundred dollars a year!

Help! (I Need Somebody) Help! (Not Just Anybody) Help!...

The Beatles knew when to ask for help; how about you? Never underestimate the value of engaging a person or firm who possesses in-depth knowledge of these two software applications. There are also professionals who are registered with Intuit as Certified QuickBooks Professional Advisors, and many of them are also Certified Public Accountants. If your business is new, you probably have a myriad of questions with regard to selecting the right business entity, the tax issues that affect your business, and utilizing the best accounting software to effectively managing your business and minimizing taxes. Call Intuit or simply do a web search for these professionals if you find yourself confused about how to get started with either of these two packages.

While this article has hopefully shed some light on the differences between QuickBooks and Quicken and under what circumstances each one is a good choice for you, remember this - both Quicken and QuickBooks (a) allow you to learn the basics of business and personal finance in a pretty logical manner, (b) will allow you to easily reconcile your bank account(s) and track income and expenses, and (c) will take some time and effort to learn, but will ultimately save time and provide you with the right information to manage your business, supply your bankers and vendors, and ease the overall task of preparing your tax returns at year-end.

Come on all you drumheads, don't miss a beat...start tracking your finances today with any of the many wonderful accounting software applications available today. Trust me, the time and money you save will certainly pay for the ridiculous accounting and tax prep fees you believe we charge... ✨

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The Faceoff

Quicken	QuickBooks
	
Easier to learn and simpler to use, as it has fewer options	More features and options (but more difficult to learn)
Fine for simple checkbook-based income and expense records	Allows either single- or double-entry accounting method
Limited space for transaction detail	Allows more detail in transactions
Plenty of reporting capability for most users	More extensive reporting capabilities, including "standard" accounting reports and an ability to export data and reports to Microsoft Excel
Utilizes "Classes" to associate income and expenses with specific cost centers	Provides for multi-level Classes, for greater enterprise reporting flexibility
Has features for tracking stocks and other investments	No investment tracking features
No inventory system	Has an inventory management system
No payroll system	Complete payroll system with all required payroll tax returns processing
Limited ability to do invoicing or track receivables, payables, etc.	Has many professional small-business features, including invoicing, customer statements, accounts receivable, etc.
Single-user versions only	Multi-user versions available
No programming interface	Programming interface available since QuickBooks 2002, which has spawned the development of 3rd-party add-on solutions
Street Price: about \$40 - \$80, depending on version	Street Price: \$150 - \$295 for most versions; other higher-end versions also available for more money