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# QuickBooks Online vs. Xero - Sleeter Report

*Written by Greg Lam*

The two biggest companies in small business online accounting



software are [QuickBooks Online](#) (QBO) and [Xero](#)



(please note that I'm talking about small business online accounting software, not [micro business or invoicing software types](#)). Both QuickBooks Online and Xero are under constant development, so here's an update as to how each compares with the other in late 2015. I'm not going to go in-depth on every single point, but I will highlight where I find there are major differences. Please be aware that the features are based on the US editions (unless I specifically mention a non-US edition feature).

In a second article I will provide you with a detailed list of the reports currently found in each.

## Marketshare

QuickBooks Online leads in the US and Canada, while Xero leads in Australia, New Zealand and the UK. While neither company would like to admit this outright, the territory in which each has the largest market share is also where each is strongest feature-wise, since they have local customizations in regard to taxes and payroll that better suit them to those markets. On a global scale, QuickBooks Online has about twice as many paid subscribers as Xero.

## Pricing

Both companies have their low-end packages in certain territories, starting at around \$10 a month, but expect to pay at least \$30 or \$40 to get the majority of functionality – and double that if you're adding functionality like payroll. Please be aware that what you get really depends on the software, territory, and price point chosen, so you really need to take a look at your local pricing for both [QBO](#) and [Xero](#) to see which package is the best value for the business you're considering using it for. Aside from niche cases, they're both comparably priced.

## Basic Accounting

Both QuickBooks Online and Xero have the basics down, which includes features like a fully modifiable chart of accounts and journal entries. I only point this out because some invoicing software, such as FreshBooks or GoDaddy, don't have this type of functionality.

## Banking/Categorization/Reconciliation

Both products have automated bank feeds and can manually import files (like CSV and QFX). The difference is that in the US,

QuickBooks Online has its own bank feed service while Xero mostly uses [Yodlee](#), although Xero does have a few direct connections with certain banks. Outside the US, Xero has plenty of direct bank connections. The best way to find out if you can get feeds for the banks you use is to sign up for free trial accounts and test it out. Whether or not the feeds are reliable is a different question, and you can only find that out by being connected to the bank for a few months. Just because you can initially connect to a bank, that doesn't mean the feed is reliable.

When it comes to categorizing imported transactions, I have to tip my hat to Xero, as they have always been and still are the leader in this area. QuickBooks Online and Xero both have a combination of internal and user-created rules that help to automate the categorization process, but Xero offers more fine-grained control. For the task of matching entered transactions to existing ones, once again, Xero allows more flexibility. For example, QuickBooks Online doesn't allow you to use or create credits/deposits. It also limits you to adding a single new transaction when there's a difference between the amount imported and the matched transactions. These are admittedly edge cases, but there's simply more that can be done within Xero's Banking page.

The biggest differentiator between the two is cash coding, which is a feature that Xero provides to its advisors (i.e., accountants and bookkeepers). In its pure essence, this is an embedded spreadsheet that you can use to mass-categorize transactions. This works fantastically if you're trying to catch up on a backlog of imported transactions. Cash coding makes it easy to sort and manually categorize transactions. You're also able to select any number of transactions and batch-categorize them using one of your user-created rules. For example, if you identify 15 restaurant

transactions, you can apply a generic “Restaurant” rule you’ve created to all of them at once.

I have to admit that QuickBooks Online has come a long way with its Banking page, and is way better positioned against Xero now than ever before, but Xero’s still the number one software for dealing with imported transactions.

## **Income and Expenses**

All in all, both Xero and QuickBooks Online offer what you need to invoice customers and enter bills from vendors. Xero recently enabled billable expenses, so they’re on par with QuickBooks Online regarding that feature now. However, there are subtle differences.

For example, with Xero you can create a contact group, and fire off invoices with same line-item details to a group of ten or one hundred companies. This would obviously be good for companies that have basic recurring subscriptions, rentals, or memberships. It’s not super robust, though, so you would need to use a dedicated add-on when you need to add variables like different rates for various customers or adding billable expenses.

With QuickBooks Online, you can create invoices that let you decide how many days in advance you want them to be created, automatically send an email to the customer, and include unbilled charges. If you choose a sales receipt type of transaction, you can automatically charge a credit card. Xero has repeat transactions, but not with those specific abilities.

If QuickBooks Online had the ability to apply their recurring

transactions template to multiple customers at once, this would be quite powerful. However, right now you have to create a new template for each customer and there's no ability to copy a template.

When it comes to customization of invoice and email templates, Xero has the edge. Xero allows you to assign templates to specific customers, so that the invoice and email template is automatically selected when you send out an invoice. With QuickBooks Online, there's no capability to create email templates and you have to specifically choose a non-default invoice template on an invoice-by-invoice basis. QuickBooks Online has the ability to customize templates, which I think is good enough for most business, but Xero allows the use of .docx templates, which enables more customization than QuickBooks Online (although now QBO has this feature in its QuickBooks Labs as well).

Xero has an approval process for invoices and bills, whereas QuickBooks Online does not.

Xero has a customer portal that allows a client to login and view outstanding invoices, while QuickBooks Online only allows customers to view one invoice at a time. However, QBO does have a built-in messaging and file attachment system which allows for good communication. On the other hand, Xero has an online quote approval process (which does have messaging, but it's a one-way system to send an email to the business and businesses cannot reply back).

## **Payment Processing**

Which software is best suited for your payment processing

needs depends on your use case. Xero comes out ahead if you need to have multiple payment processor choices and don't want to get stuck with only QuickBooks/Intuit Payments as an option. However, with QuickBooks Online (and QuickBooks Payments), signing up is really easy and the whole process, from charging customers to reconciling your banking, is seamless. There shouldn't be any manual work necessary. Also, QuickBooks Payments offers ACH processing at \$0.50 a transaction, which is a solid rate. On the other hand, while Xero doesn't have any payment processing add-ons that can handle ACH, its add-ons can provide better credit card processing rates.

## **Data Import/Export**

Xero wins out in this area, as it can import/export most transaction types via spreadsheet, and – as of the last time I looked – had more API endpoints accessible (although this may have changed). On the flip side, if you're willing to pay for an add-on, QuickBooks Online has Transaction Pro Importer, which can import most transactions and lists via spreadsheet.

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### Reporting

This is an area where QuickBooks Online previously bested Xero, but Xero is now on top. Xero provides the following reporting capabilities:

- Business Performance Reports, which provides financial ratio widgets.
- Management Reports, which groups together reports into a single publication.
- Customizations that include: text blocks, footers, schedules, comparison to previous periods, notes, accrual or cash, groups (and the ability to name them), ability to summarize or list accounts within a group, formulas, and ability to move the location of accounts and groups.
- Published Reports, which saves a report within Xero for future viewing and also allows it to be copied and edited.
- Budgets.

In comparison, QuickBooks Online has the following capabilities:

- Custom Reports, which allows you to memorize reports for future use.
- Management Reports, which groups reports together into a single publication with cover pages, notes, and reports.
- Customizations that include: accrual or cash, adding subcolumns, displaying row/column data by totals, time frames, customers, products (and so on), add subcolumn comparisons (like % of row or % change), hide/show active or non-zero rows, display only transactions from a specific item within a list (like a single or multiple customers), editing header/footer.
- Create Report Groups, that let you automatically email reports on a schedule (or at any time you like). This is different than Management Reports, in that it doesn't have room to add cover pages, table of contents, preliminary pages, and end notes, but it does have the ability to email out the report on a schedule
- Budgets.

Both products have come out with revised reports, with Xero calling them "New Reports" and QuickBooks Online calling them "Redesigned Reports" (you need to turn on the feature in QuickBooks Labs to see it). So, depending on whether you're accessing the revised reporting formats or the old ones, some capabilities may not be present.

What I haven't mentioned yet is that Xero has something called Report Templates, which is a customizable and advanced version

of the Management Reports that can be used across multiple businesses. This will be discussed in the Accountant Features section below, as they can only be created by users with that type of access.

Evaluating based on the features described (excluding Xero's Report Templates), I give Xero the nod in reporting, as it allows for more customization.

## **Sales Tax**

I give the edge to QuickBooks Online in this area, since it has a dedicated sales tax page whereas Xero does not. Both now have [Avalara AvaTax](#) integration for handling the charging of US sales taxes within multiple jurisdictions, however. E-filing is not possible with Xero and QuickBooks Online says it's coming soon. Both have add-ons that can provide e-filing capabilities.

## **Accountant Features**

Both QuickBooks Online and Xero have partner programs that provide special support, training, resources, and discounts. They also both have tools that can be accessed within clients' books as well as general management tools.

Within Xero, the following are the features unique to accountants that are found under its advisor (adviser) tab (i.e., I haven't listed the functions that a regular user can access):

- Reporting
  - Management – groups together standard reports.

- Year End/Annual Accounts – Exempt.
- History & Notes Activity.
- Reconciliation – groups together reconciliation reports.
- Report Templates using Report Codes and Report Fields (currently only available for the Australia, Global, and New Zealand editions). If you have accounts with the same code and name in other businesses, you can import a previous mapping to save time. Report Templates can combine multiple reports (like the Profit & Loss and Balance Sheet) into a single package that can be created with the click of a button.
- Find & Recode.
- Export (General Ledger & Chart of Accounts).

The Report Templates is quite interesting, as it can really cut down on the amount of custom work needed on individual businesses. Once you create something you like, this can be applied to all businesses.

Xero has a Partner area called My Xero (Green Xero) that offers the following:

- Manage companies.
- Manage staff.
- Reports (which allows you to manage Report Templates).

- Education & Tools.
- Subscriptions & Billing.
- Settings for your public profile, account, practice, and report publishing style.

Xero also has two additional pieces of software that accountants and bookkeepers may be able to access, depending on their location and the number of clients they have:

- Practice Manager, which is free for Silver Xero Partners (you need to have 25+ organizations to qualify).
- Workpapers, which is free for Silver Xero Partners, is an online tool for accountants and bookkeepers that captures reconciliations, calculations, and source documents in one place. It's available globally, but there's no localized US version.

Within QuickBooks Online, there are the following Accountant tools that are unique to accountants (i.e., I haven't listed the functions that a regular user can access):

- Reclassify transactions.
- Voided/Deleted transactions.
- Write off invoices.
- Accountant reports.
- Report tools, which allows you set a default date range and

basis (cash or accrual) for reports.

QuickBooks Online's Accountant Dashboard features the following:

- Company templates (currently in QuickBooks Labs) that lets you set up a template and use them with different companies.
- Manage clients, including being able to request documents and information as well as add billing and payroll.
- View client dashboard, which includes: list of accounts and reconciliation status, payroll, requests, documents, and book-to-tax.
- Manage team.
- View ProAdvisor status, training materials, discounts, resources, and profile.

One feature that seems similar for both software products but is actually a bit different is QuickBooks Online's Reclassify Transactions and Xero's Find & Recode. Xero's Find & Recode offers a lot more in the way of search criteria, as you can search by Type, Status, Account, Date, Transaction Total, Tax Rate, Entered By, and Contact. QuickBooks Online, on the other hand, only lets you filter transactions by account, name, and whether it is item or non-item based. Additionally, while Xero allows you to change the contact name, account, and tax rate, QBO only allows the account and class to be changed. One nice feature of Xero is that you can choose to reclassify all transactions OR create a single journal entry that makes the changes. The single journal entry allows for re-categorizations to be easily reversed if need be.

QuickBooks Online has better tax filing features at the moment, providing you use Intuit Tax Online, as you can use the Book-to-Tax feature to transfer data to the program. Xero has no native ability to send income tax data to be e-filed (although its income tax features outside the US are more developed).

## Help/Support

It used to be that Xero was miles ahead in this area, but QuickBooks Online has made rapid strides to catch up as of late. In general, I find Xero's documentation and community sites to be more organized and of better quality. However, as Xero has grown, I've found that the information has started to sprawl and not be as easy to access. A nice feature within Xero is that you can organize help documentation by local edition, so that you're not looking up features for an edition you can't access.

Xero has an active blog, frequented by its support staff. While its general help is purely email based, I've found the answers to be both timely and knowledgeable. If you're a partner, you'll get your own manager who you can contact via phone or video chat.

QuickBooks Online's documentation used to be all over the place, but it's a lot more organized now and the in-app search of help does a better job of displaying where the information is coming from than it used to. I still feel Xero's in-app help is cleaner, though, and more context-appropriate. For example, if you click on help, you can get page-specific information and all the major pages have quick user guides as well as "What's this" extra pop-out information icons. QuickBooks Online has not had the most stellar reputation for support, but it does have live chat and phone calls available.

## File Attachment

Both QuickBooks Online and Xero have file attachment features that allow you to attach files to most transaction types, but here is how they differ.

Xero allows you to:

- Attach documents during a reconciliation.
- Set up a folder structure for attached documents.
- Create more types of transactions (than QuickBooks Online) using already uploaded documents.
- From the Account Transactions list view allows you to see whether transactions have an attachment.
- A solid document viewer that lets you zoom in and rotate.
- Side-by-side viewing of documents and transaction forms.
- Email in files.

QuickBooks Online allows you to:

- View all attachments from its Attachments page. This is important to note, because in Xero, documents not placed in user created folders can't be viewed in the Xero's Files page.
- Add notes.
- Batch-download all files.

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### Mobile Apps

QuickBooks Online has a more extensive mobile app than Xero, as it allows you to handle more transaction types and accept mobile payments. Its interface is also nicer than Xero's. Xero has more limited capabilities, but where it does beat out QBO is in its bank reconciliation functionality. Xero's approach to mobile apps is to focus on the functions they believe a user will most need while using a mobile device, whereas QuickBooks Online offers an app that more closely mirrors the functionality of the web app.

### Inventory

Xero got inventory in 2015, and now has a better offering than QuickBooks Online. However, it's not dramatically better, as both provide basic inventory functionality. You'll need to use add-ons with either software to get advanced functionality.

### Payroll

Currently, QuickBooks Online is more comprehensive, as it has coverage in all US states. Xero is still building out its support for all US states and currently has about half the states covered. They do

have add-ons with companies like [ZenPayroll \(now Gusto\)](#) and [ADP](#).

## International Support

Xero comes out ahead in this category, as it was built on a global platform – its multicurrency was baked right into the software from the get go. QuickBooks Online did add multicurrency to the US edition in 2015, but it's not nearly as robust as the Xero offering. The global edition of Xero is in general more full featured than the global version of QBO. Additionally, there are little things that Xero does – such as segmenting help documentation based on edition – that make Xero friendlier for international users.

## User Interface/Navigation

As time passes, I'm enjoying the user interfaces of both QuickBooks Online and Xero more and more. There are some places where each excels. Currently, I enjoy QBO's Create icon, which lets you create most transactions after clicking it. In Xero, you have to navigate to the specific page to access the ability to create new transactions, however I know that Xero has functionality similar to QBO's Create menu in the works.

The Xero dashboard is more customizable and is thus more useful than QuickBooks Online's.

Depending on which page I'm in, I find that which software I like best changes. I generally like Xero's reconciliation screen better, but I find I like the interface for creating invoices better in QuickBooks Online. I do like how when you access transactions in QBO, it overlays the new transaction over top, so that when you

close that transaction, you're still in the same page you were before and aren't navigated elsewhere. QuickBooks Online also has universal search, which I find works quite well, although Xero has been promising a global search feature (which has been on cusp of release for months now).

I've found drilling down into data to be slightly better in QuickBooks Online than Xero, but again, this depends on which information you're trying to access and on what page.

## **Automation**

I've already mentioned automation when discussing the reconciliation processes as well as recurring transactions and reports. But overall, I find that Xero has more features that let you cut down on manual tasks. However, an area in which QuickBooks Online bests Xero is in QBO's deep integrations with payments and book-to-tax.

## **Conclusion**

I recommend the use of both Xero and QuickBooks Online, so I will not be coming out and saying QBO is better than Xero or vice versa. I don't think you'll make a big mistake by going with either one. My overall feeling is that Xero has more power-user type capabilities than QuickBooks Online. Xero also feels more open and customizable to me, with its data import/export structure, customizable settings, and API. QuickBooks Online has its own payment processing, payroll, and book-to-tax (Intuit Tax Online) – which are great because the integrations are rather seamless – but this also limits your options to use other software for those tasks.

Which software is best also depends on what region you're in. As mentioned at the start, QuickBooks Online has a lot of good US and Canadian specific features, whereas the same can be said for Xero in Australia, New Zealand, and the UK.

Both companies are well funded and have been pushing out new features in an effort to catch up to and leap frog each other. Never before have the capabilities of both software been more similar. I think that within a year Xero will be even better positioned in the US, as it finishes building out its payroll coverage for US states and improves its US-specific reports and tax filing. I'm not privy to QuickBooks Online's global plans, but I'm sure the same thing can be applied to them as well.

I'd honestly get to know them both, even if you only plan on specializing in or using one of them. They both offer free trials – as well as demo companies – to play around with, so get your hands dirty and see which one you like best.

## About the author



Greg Lam is a passionate small business guy who loves technology and automation. He holds a BBA from Simon Fraser University, Canada. He's a Certified QuickBooks ProAdvisor, Certified Xero Partner, and Kashoo MVP. His business interests are focused on online accounting and how it can be used to streamline and automate a company's accounting processes. He currently lives in

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Greg operates the [Small Biz Doer website](#), an "Entrepreneur's Guide to Small Biz Bookkeeping." He is the author of [Online Accounting Software: Finding the Right Match](#), published by The Sleeter Group.

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