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ROI of Accounting Software

Learn how accounting software can save you time and money with automation and insights.

Accounting software provides businesses with a secure way to store financial data and helps manage day-to-day financial transactions. It assists with revenue management, expense management, accounts receivable (AR), accounts payable (AR), general and subledger management, and financial reporting.

The global market for cloud accounting software is growing quickly: Research predicts it will reach $5.7 billion by 2029, up from $2.7 billion in 2019, at a compound annual growth rate (CAGR) of 7.8%. That's a signal that more businesses are realizing that a cloud accounting system can drive real bottom-line value.

Value of Accounting Software

Some key benefits of using accounting software:

Lower payment management costs.
An accounting system can track and help process AP and AR. Automating parts of these processes reduces reliance on spreadsheets and lowers the likelihood of human error that can lead to lost money, mispayments, and inaccurate reporting.

Deeper insights into your business.
Accounting software gives you the power to produce customized financial reports according to your exact business needs. Better financial reporting can help you identify wasteful spending practices, like manually sending invoices to customers or overpaying vendors, and save money in the long run.

Optimize cash flow.
A system that accommodates electronic payment methods will facilitate easier and therefore faster payments from customers. You can also schedule automatic invoice notices and reminders instead of manually creating and sending out invoices to customers. Similarly, you can schedule electronic vendor payments so you can hold on to your cash for as long as possible without incurring penalties for late payments.

Access data from anywhere.
A cloud-based accounting system lets you access critical business data from anywhere with an internet connection. This helps you keep closer tabs on money coming in and going out, financial KPIs, and other mission-critical tasks.

Lower IT costs.
On-premises infrastructure and the staff required to maintain it is expensive. Using a cloud system that stores financial data in secure, remote data centers lowers these costs and allows your employees to focus on other important tasks.

More efficient payroll.
Accounting software can integrate with payroll software — they're often sold as a package — to help calculate your business's taxes and withholdings and manage complex commission and bonus structures. This makes running payroll less of a headache and ensures accurate paychecks.

Better controls and governance.
An accounting system will typically offer a variety of organizational roles and allow you to set approval rules for spending based on those roles. The system tracks who initiated spending and who approved it, providing a record of how and when money is spent.

Cost of Accounting Software

The cost of accounting software depends on several factors, like if it's on-premises or cloud-based, how many users need access, and what additional features you need. But here's some general guidance:

- **Basic accounting software:** Once spreadsheets become untenable, most companies adopt basic accounting software that may run on their desktop or in the cloud. This type of system provides core financial management capabilities like accounting ledgers, AP and AR management, and tools for taxes and cash flow monitoring. However, these processes still require significant manual work and the system will not automatically pull in information from other applications. Pricing for these basic cloud accounting systems starts around $1,000 annually for a few users.

- **ERP with accounting functionality:** Businesses that have more complex accounting needs and must comply with multiple regulatory standards will soon realize basic accounting software won't meet their needs. These companies should invest in an accounting module that's part of a larger Enterprise Resource Planning (ERP) system, like NetSuite ERP. This provides a single, integrated suite of applications for managing not only accounting but also inventory, orders, customers, production, distribution, and more. A more robust system, it can automate many accounting processes and always provides a real-time picture of your financial standing. Pricing for these services typically starts at thousands of dollars per year and can rise depending on your business's unique needs and requirements. You can add financial modules for functions like FP&A, revenue recognition, and multi-subsidiary consolidation for a cost, too.

Example: Calculating the ROI of Accounting Software

You likely know the ROI formula, but as a refresher:

$$\text{ROI} = \left[\frac{\left(\begin{array}{c}\text{Total value} \\ \text{of investment}\end{array} - \begin{array}{c}\text{Total cost} \\ \text{of investment}\end{array}\right)}{\text{Total cost of investment}} \right] \times 100$$

Let's apply that formula to accounting software offered as part of an ERP package: Here's what a three-year ROI calculation might look like for a business that has recently passed $2 million in revenue and has a four-person accounting team:

Cost	Year 1	Year 2	Year 3	Total
Annual licensing	$7,000	$8,500	$9,500	$25,000
Implementation	$15,000	$0	$0	$15,000
Training	$5,000	$2,000	$2,000	$9,000
Miscellaneous	$7,000	$3,000	$2,000	$12,000
Total	$34,000	$13,500	$13,500	$61,000

Savings Area	Year 1	Year 2	Year 3	Total
Late fees	$2,000	$3,000	$4,500	$9,500
Invoice accuracy	$3,000	$6,000	$10,000	$19,000
Employee productivity	$12,000	$16,000	$20,000	$48,000
Payroll accuracy and efficiency	$4,000	$6,000	$8,000	$18,000
Increased revenue from digital payment options	$7,000	$10,000	$15,000	$32,000
Total	$28,000	$41,000	$57,500	$126,500

$$\text{ROI for first 3 years} = \left[\frac{(\$126,500 - \$61,000)}{\$61,000} \right] \times 100 = 107\%$$

Accounting software typically delivers a high ROI because it's relatively low-cost and can fully or partially automate labor-intensive tasks like AP, AR, and account reconciliations. This boosts productivity and gives your employees more time to concentrate on other, high-value tasks. The system will provide a more accurate and complete overview of your financials so you can better prioritize spending.

Like with other types of technology, one-time implementation and training costs mean that you typically spend more than you make in year 1 with accounting software. However, the financial benefits surface in subsequent years as your business grows — for example, you'll likely see increased savings via improved invoice accuracy and additional payment options for customers. As your business grows, this technology will shift from a nice-to-have to a must-have, so the sooner you adopt it, the better.

How NetSuite Cloud Accounting Software Can Help

Greater control of financials.
NetSuite cloud accounting software unifies all your core accounting processes and financial management tasks. That includes recording transactions, managing payables and receivables, collecting taxes, closing the books, and financial reporting. Together, this gives you an accurate picture of your company's financial position at any given moment and helps you establish strong financial controls.

Automate rudimentary tasks.
Every month, finance teams waste hours creating journal entries, reconciling account statements, and collecting and normalizing data from other departments. Automating work around the month-end close provides more time to review transaction details and investigate anomalies, increasing accuracy. Similarly, you can save your team time and reduce errors by automating many steps around payables and receivables. The result is faster payments from customers, minimal overpayments or duplicate payments, fewer late fees, and a lower risk of fraud.

Optimized cash flow.
Real-time visibility into bank account balances and cash inflows and outflows helps you better manage liquidity by making decisions with your cash position in mind. This is critical in the current economy, as companies need to monitor their expenses more closely to build up their cash reserves.

Real-time access to financial data.
NetSuite gives you one system where you can monitor crucial metrics and drill into the numbers to resolve issues and better understand company performance. Your data is stored in the cloud, not on a local server or device, meaning members of your finance team can access it from any connected device at any time.

Get our FREE ROI calculator to calculate the potential return on accounting software at your business.