

CLOUD ACCOUNTING – THE GAME CHANGER IN DIGITAL ECONOMY

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Abstract

Internet has brought technological innovations at a rapid pace. As an aid to the accounting firms and professional service organizations Cloud Accounting has brought about unquestionable benefits to various industries across the globe. Cloud Accounting enhances the velocity with which applications are deployed, brings out innovation, lowers cost and also makes the business agile. Many companies like Facebook, Google & Amazon have implemented this technology in their business module which enables the organizations to manage their perfect portfolio. The main aim of this paper is to examine and analyze the pros and cons of this technology, its operational module and its benefits for the purpose of accounting and financial reports.

Key words: Cloud, Cloud Computing, Cloud Accounting

Businesses have always run with the aim of making profit and maximizing shareholders’ value. The pursuance of this has since time immemorial moved business from one form of records keeping to the other. From manual accounting to computerised accounting, a lot of packages with diverse costs and benefits have been exploited by several business and hence the thought that new ideas and methods may produce better results with the growing acceptance of innovative technologies. This is what has seen cloud computing become the biggest buzzword is gaining a great deal of momentum. Working on the cloud will give you the opportunity to reduce the amount of time you spend working on tedious, time-consuming tasks, allowing you to concentrate on what you do best: growing your business. You can also be confident that you will have greater access to real-time data for your business-no matter where you are-as business information is accessible any time, any place, on any device that has internet access (much like internet banking). This paper guide will give a brief introduction to cloud accounting, the benefits & limitations for small businesses and will focus on difference between.

What is cloud accounting? Cloud accounting is the use of online accounting software where your data and software are stored on the internet, rather than on your computer hard drive. It can be accessed at any time in any place from any device that has internet access. A cloud-based accounting system provides you with up-to-date and current financial information which helps you to respond to business changes quickly. It offers you total mobility – Which allows you to access your live financial data from anywhere, anytime.

Traditional Accounting Vs. Cloud Accounting: The key practical differences between traditional computing environments and cloud computing are discussed in the table below

Characteristic	Cloud Accounting	Traditional	Comments
Time before Service can be Accessed	Minutes / Hours	Days/ Weeks	Once the cloud computing environment is set up initially, you can gain access faster than in traditional environments where lead time is needed for installation, set-up and configuration.
Capital Expenditure	Pay-as-you-go,	Upfront cost. Fixed	The pay-as-you-go model for cloud computing reduces or eliminates the large upfront costs incurred in

(CAPEX)	Variable		procuring hardware and software and standing up traditional environments.
Economics of scale	Yes for all Organizations	For large Organizations only	Cloud computing not only provides cost advantages in procurement of hardware and software, it also provides cost advantages from improved productivity. Traditionally, lessons learned from one environment must be duplicated in other environments but, with cloud computing, once the best practices are applied they benefit all consumers.
Multi-tenancy	Yes	Generally no, but can be found in application hosting	Multi-tenancy properly applied to cloud computing services allows providers to host multiple consumers effectively across shared resources. While it is more readily enabled in IaaS through the use of virtualization, PaaS and SaaS providers may need to undertake significant re-architecting of their platforms or applications to apply multi-tenancy to these elements as well as to infrastructure. Where this has not been undertaken, consumers may find that their platforms and applications are not as elastic or cost-effective as anticipated.
Scalability	Elastic and Automatic	Manual	Cloud computing resources can often be scaled up or down automatically, whereas human intervention is usually needed to add hardware and software in traditional environments.
Virtualized	Usually	Sometimes	Cloud computing environments are usually virtualized, whereas traditional environments include a mix of physical and virtualized infrastructure.

The Advantages and Cloud Accounting: Undoubtedly ease of access is the prime advantage of cloud accounting. Online accounting means just that – it is online! You or your employees can access your businesses financial data from anywhere worldwide, at any time without having to download and install anything on their desktop. All you need is an Internet connection! This ability to take care of your bookkeeping on the go means that business owners are not stuck in one location but can spend more time travelling, gaining new clients and taking care of other important business matters without having to be in the office. Price is always important and another advantage of cloud



accounting is that it can be the cheapest way to go. Firstly, there is no need to pay upfront for all of the cost as you would with a desktop accounting package – because you pay monthly. Secondly, unlike buying an accounting software package, it requires absolutely no updates as they are automatically included in the price. Paying monthly obviously makes it easier to manage your cashflow, but also you can reduce your computer costs because all the normal costs like maintenance, version upgrades, system administration costs and server failures are no longer your problem because they are all managed by your cloud accounting service provider. Low total cost of ownership or TCO – cloud accounting applications are mainly subscription based and can scale up depending on your business’ needs. Also, you normally don’t need any major up-front investment in hardware and software. Businesses with cloud accounting technology benefit from better cash flow and don’t need as much of an IT presence or staff. Upgrades are also managed seamlessly by the provider meaning you automatically enjoy the new features that come along. What’s better – all this is at absolutely no extra cost! Real time financial information—when managed properly cloud accounting will give you and your business up-to-date and current financial information (most packages have a financial dashboard which helps this). Which helps you to respond to business change by giving you financial information at your fingertips. Your team can easily access data wherever they are! Smartphone and tablet apps give you information on the move, wherever you are, because software housed in the cloud can be easily accessed anywhere there is a connection, anytime and from pretty much any device! Cloud accounting supports those businesses which have mobile personnel like service and sales teams. Backup and data security are a breeze! Generally your cloud accounting provider offers data security which is compliant with the Payment Card Industry Data Security Standard. The PCI standard can be too costly to achieve for a small firm, especially if it is to have its on-site application certified. The level of availability and security, backup and disaster recovery offered by a software-as-a-service supplier greatly exceeds the level which a company can provide if the application is housed on-site. You don’t need to pay extra for online backups because they are done for you and you don’t need any special servers or desktop configurations – just an internet enabled device to use it.

Limitations of Cloud Accounting: Higher cost for small businesses: If you are a small business then you might pay more for a decent online accounting package than for a desktop accounting package...over several years. You normally only need to buy software updates every 4 or 5 years and if you don’t want a online backup service then cost can be a disadvantage. Privacy/ Security Issues :Having your information in the cloud means that you don’t have control over where in the world it is. It could be on a server in the UK, in Asia, America... pretty much anywhere! For some people this is a real problem, for others less so. But the point is some other entities or governments may well get to review, audit, or just look through your

businesses’ data, depending upon the rules in force in the jurisdiction where your data is located. Restricted Approach: There will always be restrictions in the applications, operating systems, and infrastructure options that are open to you – there will be things the cloud accounting package won’t do. Because the cloud accounting provider can only offer what they already have...and the updates they are going to introduce in future. So it might not do exactly what you want and you can’t configure and change it as easily as desktop software. Backup issues: Most cloud accounting software don’t have the facility for you to take a backup of your data and export it or save it to your own computer, merely to printout selected reports. So changing to another package or just keeping a long-term record without having to keep paying the monthly subscription presents a problem. Remember that under UK rules you need to keep your data for quite a few years after your business has ceased!

SWOT Analysis of cloud computing and mobile technologies and its Impact

Technologies	Impact			
	Strengths	Weaknesses	Opportunities	Threats
Cloud computing and Mobile Applications	Scalability, Costs reduction, Collaborative Environment (with customers and employees), Global approach (without borders), Data back-up and recovery	Service Agreement (Contract), Internet Connection, A lack of standards between cloud providers (inter-operability), Integration with existing Architecture, Data migration	ERP-SaaS, Mobile automated Accounting (documents),data gathering Mobility, Security Improvement	Accounting and financial data loss, Privacy breaches, Systems Availability, Dissatisfaction with Offerings/performance/pricing from vendors, Legal and regulatory

Conclusion

In the context of mobile and cloud technology development, more and more companies adopt such technologies as infrastructure support for their activities. Migration to these technologies has a significant impact on the accounting system of business. We have tried to identify and present the main areas of impact in using cloud and mobile technologies. Most papers and studies highlight the positive role of using cloud and mobile technologies in business development. These technologies provide scalability, mobility and reduced maintenance costs. These solutions will be used more and more both in SME as well as in Big Companies mainly due to the low cost and high scalability considering stable and permanent Internet connections. From a global perspective, cloud and mobile technologies will lead to a reorganization of the business architecture with significant impact on business strategy.

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