

## **Impact of Cloud Accounting: Accounting Professional's Perspective**

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**Abstract:** *Accounting has evolved consistently over the past decades, with each new addition and innovation making it even better and challenging while providing satisfaction and convenience to the users. Modern accounting has reached the present stage after undergoing gradual changes over the years; by keeping pace with the fast evolving technological advancements. There has been consistent modification and development from manual methods to technological alternatives which has made accounting easier and convenient for users. The recent shift in accounting towards faster technologies has immensely increased its capacity to serve users. The recent trend in accounting; Cloud Accounting is expected to make accounting easily accessible, less expensive and time saving. Cloud Accounting involves use of cloud-based software through any device having internet connection.*

**Objectives Of The Study:**

1. To have an overview of Cloud Accounting
2. To make a comparative study of the services of 5 cloud accounting companies across the world
3. To understand the impact of Cloud accounting in the present scenario with insights from accounting professionals

**Need For Study:** *The emerging trends in accounting not only help in increasing the efficiency of the firms but also provide additional cost benefit. In such a case, there is a need to study whether the perceived benefits are actually enjoyed by the firms which are incorporating these trends into business, and also how this can possibly change the future of the mushrooming start-ups.*

**Methodology:** *Primary data has been collected from accounting professionals of various organisations. Secondary data has been collected from sources such as professionals, books, journals, websites, etc. The data collected has been helpful in understanding of concepts and the impact.*

**Keywords:** *Cloud Accounting, Cloud software*

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### **I. Introduction:**

Accounting has evolved consistently over the past decades, with each new addition and innovation making it even better and challenging while providing satisfaction and convenience to the users. Modern accounting has reached the present stage after undergoing gradual changes over the years; by keeping pace with the fast evolving technological advancements. There has been consistent modification and development from manual methods to technological alternatives which has made accounting easier and convenient for users. The recent shift in accounting towards faster technologies has immensely increased its capacity to serve users. The recent trend in accounting; Cloud Accounting is expected to make accounting easily accessible, less expensive and time saving. Cloud Accounting involves use of cloud-based software through any device having internet connection.

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### **Need For Study:**

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### **II. Methodology:**

Primary data has been collected from Accounting professionals of various organisations. Secondary data has been collected from sources such as professionals, books, journals, websites, etc. The data collected has been helpful in understanding of concepts and the impact.

### **III. Review Of Literature**

**Elzbieta Wyslocka, Dorota Jelonek (2015)** in their article “**Accounting in the Cloud Computing**” have highlighted that Small business does not need expensive software to lead the general ledger and perform basic accounting tasks. Simple accounting applications in the cloud are created to help small business owners to organize and manage their IT operations. Since cloud accounting is an online accounting service, one can access business data anywhere on a mobile phone or a desktop PC and his data is safe because there are backups. Cloud Computing in accounting for small and medium-sized enterprises are emerging recently "in the clouds" accounting offices, which are modern accounting solutions available anywhere.

**Iñaki Bildosola , Rosa Río-Belver, Ernesto Cilleruelo, Gaizka Garechana (2015)** in their study “**Design and Implementation of a Cloud Computing Adoption Decision Tool: Generating a Cloud Road**” have concluded that, Cloud accounting is now a reality, but it is also a fact that a large number of companies, especially SMEs, are not yet aware of either the existence of cloud technology or its benefits for the business sector. They further concluded saying that cloud computing is especially beneficial for startup companies, SMEs, entrepreneurs and companies that need to make new investments or do not have a stable infrastructure.

**Otilia Dimitriu, Marian Matei (2014)** in their article “**A New Paradigm for Accounting through Cloud Computing**” have concluded that Yet, the most outstanding concept, that has reshaped the traditional way of providing accounting tools, is cloud computing. The world of bookkeeping is shifting towards online products. The numerous benefits of the cloud services have proven that a technological revolution is undoubtedly necessary for companies' accounting department. The new manner of designing, managing and providing financial packages introduces accounting in the “cloud computing era”. Benefits of using a cloud accounting solution are considerable and enterprises should do their best to explore all opportunities and learn from the continuously changing market. Moving to the Cloud is inevitable for most businesses – in many cases the only question that arises is ‘When?’

**Katherine Kinkela (2010)** in her article “**Practical and ethical considerations on the use of cloud computing in accounting**” has highlighted that Cloud computing is now an accepted part of the array of technology available to accountants. Cloud computing can offer efficiency and cost cutting benefits. Before using cloud technology, however companies should understand the risks and security issues inherent in this new technology. By taking a systematic approach to risk assessment, including creating effective policies for cloud usage and a risk response plan, companies can take advantage of this new technology to increase operational efficiency.

**Serkan özdemir, Cemal elita (2015)** in their article “**The Risks of Cloud Computing in Accounting Field and the Solution Offers: The Case of Turkey**” have concluded that the establishments that provide accounting systems services utilizing the cloud computing facilities in accounting sector must build the necessary infrastructure and models by foreseeing the general risks of cloud computing technology and the structure in the country in order to run the system without failure and to store the digital financial data of the establishments in a secure environment.

### **Cloud Accounting- An Overview**

Accounting has evolved consistently over the past decades, with each new addition and innovation making it even better and challenging while providing satisfaction and convenience to the users. Modern accounting has reached the present stage after undergoing gradual changes over the years; by keeping pace with the fast evolving technological advancements. There has been consistent modification and development from manual methods to technological alternatives which has made accounting easier and convenient for users. The recent shift in accounting towards faster technologies has immensely increased its capacity to serve users.

Cloud accounting is the latest accounting trend which has emerged into the enterprises in the recent times. It is equal to the self-install accounting software, but in cloud accounting it is hosted on remote servers. In cloud accounting the data is transferred to a cloud, where it will be further processed and it will return to the

user. Cloud accounting helps to get real-time reporting throughout the enterprise. Small and Medium enterprises have achieved a maximum benefit from cloud based services mainly with their accounting and financial services. Using cloud accounting tasks can be performed off-site and not necessarily on the user's computer. Even the branches of the same organization can access the same version of the software.

#### **Using cloud accounting software:**

Cloud Accounting Software was mainly developed to solve the problem of portability of data. Earlier, a file required to be accessed later was stored on hard drives or USB flash drives. Devices like Hard drives, USB flash drives and other portable storage devices made transporting information between multiple machines an easy process. However, these traditional methods of storage had significant drawbacks. For example, data stored on hard drives are susceptible to loss of data through different situations such as fire accidents, non-functioning of any of the tiny mechanical parts of the drive, etc. In case an important document is stored on a USB flash drive there is always a chance of losing the data during travel or due to damage occurring to the drive.

The working of Cloud based accounting software is similar to the other cloud based software. Files which are generally stored on a hard drive are stored online. This ensures that the information is easily accessible. With the development of mobile devices, especially the smart phones, cloud based accounting enables the users to manage their finances from wherever they are.

The basic steps which can be followed to use Cloud based accounting software are:

#### **1. SCAN**

##### **To scan or photograph documents**

The first step is to scan or take a photograph of the required financial documents

##### **Digital Version**

Digital versions of financial documents can be made through a variety of devices such as a Mobile Phone Camera and Office Scanner.

#### **2. UPLOAD**

##### **Upload files to the cloud**

The cloud accounting service provider gives the client a Login ID and a Password so that the client can access his In cloud account, upload the documents to the cloud and immediately the documents become a part of the service provider's records.

#### **3. VIEW**

##### **Access the documents whenever required**

By the use of Cloud accounting, there is access to a flexible service which allows the users to view their business accounts wherever and whenever required and through any device.

#### **Advantages of cloud accounting:**

##### **1. Accessibility:**

By the use of cloud accounting software, users can access data from any place and through any device having internet connection. This provides high amount of flexibility to the small and large enterprises. Work groups and teams around the world can access data and information and work together with no hindrance of place. Data sharing becomes very easy with the help of cloud accounting. Users are required to have access rights to the same system with their unique passwords

##### **2. Security:**

Security of data remains a major concern for any individual or enterprise. Cloud Accounting has a similar mechanism of storing data as the traditional software. Remote servers contain effective security protocols. In case of loss of the device such as a laptop, data stored on remote storage is likely to keep the information much safer than storage on device. The threat of data theft is eliminated in Cloud Accounting as the user must log into the cloud account to access the software.

##### **3. Cost:**

Capital investment is low as there are no servers at the client's location. Enterprises generally spend huge amounts on infrastructure required to store and manage data. Also, this means there is lesser requirement of IT staff, so less labour costs and significant savings

##### **4. Easy to Use:**

The software is very simple to use and contains the basic functions. For example, with live feeds, the user has to carry out online banking and immediately the banking transactions are uploaded.

##### **5. Bandwidth**

Bandwidth refers to the amount of data that can be transported from one point to another within a given time period. Cloud storage does not require attaching of large files to email. A link can be sent to refer to their colleague to the cloud.

**6. Availability of vital information:**

With Cloud Accounting, information is available to the user as soon as the transactions are entered on the systems. This ensures timely management of finances, better and quicker decisions.

**Drawbacks Of Cloud Accounting**

**1. Necessity of an Internet Connection:**

A significant disadvantage of Cloud based accounting is that it can be accessed only with the presence of an internet connection.

**2. Loss of Control:**

The data of an organisation is stored on a server unknown to them. This means the control over the data is not entirely in their hands, which could be a matter of concern to the organization.

**3. Lack of coordination:**

The standard accounting package provided by the provider doesn't suit all the needs of clients. Sometimes an organization may have needs which are not matching the standard accounting package services.

**Comparative Study Of The Services Provided By 5 Cloud Accounting Companies Across The World**

Cloud Accounting is provided by many companies across the world. These are Top 5 companies providing cloud accounting services on the global platform are:

**I.FRESH BOOKS:**

Fresh Books is a cloud-based accounting software service designed for small enterprises. It basically sends invoices and receives payment for their services. It was founded by Mike McDermentand Joe Sawadain 2003

**II.XERO:**

Xero is a software company that develops cloud based accounting software for small and medium enterprises. It was founded by Rod Drury and his personal accountant when they felt that traditional desktop accounting software had become outdated and decided to create a modern cloud-based product.

**III. ZOH:**

Zoho is a cloud software and system developer for business management. The company was founded in 1996 by Sridhar Vembu and Tony Thomas in Pleasanton, California and has development offices in India.

**IV.QUICK BOOKS:**

Quick books are accounting software which is marketed and developed by Intuit. It is basically used by small and medium enterprises for accounting functions and cloud based services, which deals with payments, payrolls etc. Intuit was founded in 1983 by Scott Cook and Tom Proulx in Mountain View, California, USA.

**V.GO DADDY:**

Go Daddy bookkeeping facilitates tools for tracking income and expenses. Their services are directly collaborated with Amazon, eBay etc. GoDaddy was founded in 1997 by Baltimore, Maryland, entrepreneur Bob Parsons

**Table showing the various services provided by the top 5 Cloud accounting companies**

Company Name/ Parameter	Fresh Books	Xero	Zoho	Quick Books	Go Daddy
Double Entry		✓	✓	✓	
Mobile Access	✓	✓	✓	✓	✓
All major A/R and A/P transaction forms		✓	✓	✓	
Payroll		✓		✓	
Inventory tracking		✓	✓	✓	
Live Support	✓		✓	✓	✓

Document management		✓		✓	
Multi-currency support	✓	✓	✓	✓	
Customer/Vendor Portals	✓		✓		
Training Availability		✓		✓	
Estimates Quarterly taxes					✓
	4	8	7	9	3

Source: KATHY YAKAL/ PCMAG.COM

#### IV. Findings

Quick books provide the maximum number of services (9/11) to the SMEs .Go Daddy provides the least number of services (3/11) to the SMEs.Mobile access is one service which is provided by all the 5 companies.Estimation of quarterly taxes is one service which 4 out of 5 companies fail to provide.

#### Impact Of Cloud Accounting- A Practical Survey

A survey conducted amongst 33 accounting professionals to know the impact of Cloud accounting in the present business scenario has revealed the following results:

##### 1. Are you aware of the recent trends in Accounting?

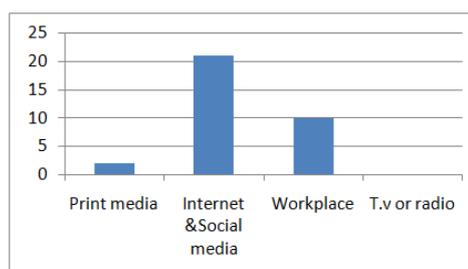
Response	No. of People
Yes	28
No	5

##### 2. Do you know about Cloud Accounting?

Response	No. of People
Yes	30
No	3

##### 3. How did you come to know about it?

Response	No. of people
Print media	2
Internet & Social media	21
Workplace	10
T.V or Radio	0



##### 4. Do you use Cloud Accounting?

Response	No. of people
Yes	4
No	29

##### 5. Do you think Cloud Accounting leads to reduction in human resource employed in an organisation?

Response	No. of People
Yes I agree	9
I partially agree	19
I don't agree	5

**6. Do you think Cloud Accounting leads to minimization of manipulations in accounting?**

Response	No. of People
I agree	26
I don't agree	7

**7. How well is the sensitive financial data secured by use of cloud accounting?**

Response	No. of People
Not Good	1
Average	24
Very Good	8

**8. Is the financial data analysis of Cloud accounting better than the prevalent alternatives?**

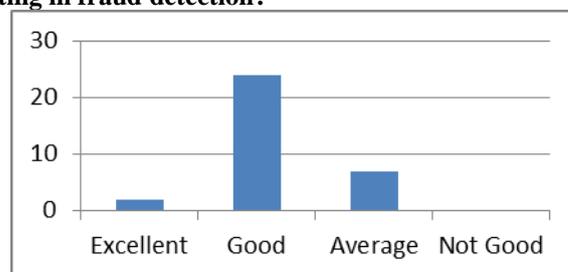
Response	No. of People
Agree	24
Disagree	9

**9. Do you think Cloud Billing is more efficient than the prevalent alternatives?**

Response	No. of People
Agree	28
Disagree	5

**10. What do you feel about the efficiency of Cloud Accounting in fraud detection?**

Response	No. of People
Excellent	2
Good	24
Average	7
Not Good	0

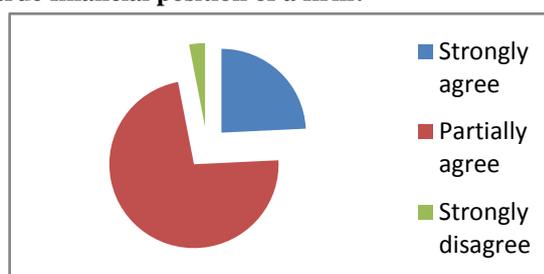


**11. Has Cloud Accounting brought any changes in the auditing process?**

Response	No. of People
Yes	28
No	5

**12. Is Cloud accounting beneficial to determine the true financial position of a firm?**

Response	No. of People
Strongly agree	8
Partially agree	24
Strongly Disagree	1



**Data Interpretation:**

**13. Is there any comment you'd like to make about Cloud accounting and its impact?**

**The survey reveals that few professionals feel:**

Use of Cloud accounting will be increased in the days to come, and will make a huge impact on business enterprises. There is still lack of awareness and training Cloud accounting could be lot more helpful if it is appropriately integrated with the billing and purchasing processes. Cloud accounting has helped in saving a lot of effort and time and the more integrated it is with the other systems the more useful it will be.

Some of the professionals said that they are new to this concept

The survey reveals that 84.8% professionals are aware of the recent trends in accounting and 90.9% professionals are aware of cloud accounting. It has been found that 63.6% professionals came to know about Cloud accounting through Internet and social media, 30.3% through their workplace and 6.1% through print media. There are 87.9% professionals who don't use cloud accounting and 12.1% do. It states that 27.3% professionals completely agree that there is reduction in human resource employed, 57.6% professionals

partially agree and 15.1% don't agree. Also, 78.8% professionals agree that cloud accounting minimizes manipulations whereas 21.2% disagree. It is observed that 72.7% professionals consider security of sensitive financial data in cloud accounting to be average, 24.2% consider it very good and 3.1% professional feels it's not good. Also, 72.7% professionals agree that financial data analysis of cloud accounting is better and 27.3% disagree. There are 84.8% professionals who agree Cloud billing is more efficient and 15.2% disagree. Professionals who feel efficiency of Cloud Accounting in fraud detection is good are 72.7%, 21.2% consider it as average and 6.1% consider it to be excellent. It has been stated that 84.8% professionals believe that cloud accounting has led to changes in auditing process whereas 15.2% don't feel the same. Also, 72.7% professionals partially agree that Cloud accounting is beneficial to determine the true financial position of a firm, 24.2% strongly agree and 3.1% strongly doesn't agree. Majority of the professionals have answered that they 'Partially Agree' about features such as impact of cloud accounting on reduction of human resource employment and to determine the financial position of a firm, which indicates that they are still not fully aware of the impact of cloud accounting. Also, majority of the professionals 'Agree' that cloud accounting minimizes the manipulations in accounting, helps in fraud detection, has better analysis of financial data, has efficient Cloud billing options and has led to changes in the auditing process, which indicates a positive sign for future of cloud accounting.

### **Cloud Accounting- The Way Forward**

Cloud accounting may lead to a major shift towards the concept of **Triple entry accounting**-a system in which all accounting entries which have the involvement of outside parties are cryptographically secured by a third entry. It is done with the help of Block chain technology which allows all entries to be present in a public ledger, promoting trust and transparency. Cloud accounting may increase the importance **Key metrics** in business. Accountants will be need to find a way keep-up with the changing business needs and must be willing to creatively implement techniques and must know how to leverage the metrics affecting their business. This is seen as a necessity for future firms in order to deliver true value and remain competitive. With the rise of Cloud accounting technology, more and more enterprises are adopting the **Virtual Workforce** model into their business. Cloud helps employees to communicate effectively and stay connected and the business owners reap benefits in the form of more productive employees. Thus, firms that embrace the change will prosper and those who don't will face challenges in hiring and retaining the top talent.

### **V. Conclusion**

The continuous changes occurring in Cloud Accounting are expected to affect a wide range of industries and enterprises, and every business owner must sooner or later face the impact of this shift. Cloud accounting is sure to have great impact on the growth of SMEs. With an array of benefits such as cost efficiency, high security, ease of use, etc. to offer, cloud accounting is the right choice for any business wishing to keep pace with its competitors. Cloud accounting can be highly beneficial for SMEs as it offers efficient technology and accounting service at a lesser cost. The customization offered by cloud accounting is a great benefit to any business adopting it, which enables every business whether small, medium or large to customize cloud software according to their requirements. In the near future, access to on-demand, actionable business data will be a daily necessity for an enterprise. Entrepreneurs will no longer use the traditional accounting system since through the use of Cloud Accounting vital data is made readily available. Thus, entrepreneurs can make smarter and faster decisions with confidence.

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