

Accounting in the Cloud

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Abstract

In the current financial crisis and being challenged by the impact of globalization, the wide spread of internet based application, the world has come inevitably relied on technology. A new concept of cloud accounting has become as a revolution to information technology (IT) provision, management and security. In this article authors focuses on the impact of cloud computing, benefits and challenges of the software and comparison between traditional accounting software and cloud accounting software.

Keywords: Cloud Accounting, Information Technology, Accounting Software

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Background

Information technology (IT) has been developed instantly as for reciprocating to customers' demand (Weiß and Leimeister, 2012). Moreover for business perspective firms acknowledge the fact that technology may support process optimization in terms of costs, time and resources. From the studies (Avni, et al., 2010, Alama, et al., 2011; Burinskienė et al., 2010; Bressler et al., 2006; Gatautis, et al., 2008, Etro, 2009) they showed that the globalization impacts on the IT which affects market structure causing cost structure and production possibilities. So, enterprises have to develop their technologies to obtain advantage by offering value to their customers. Companies were forced to find new efficient solutions to improve the efficiency and profitability of their business (Christauskas & Miseviciene, 2012). The system plays a vital role in delivering the financial information for decision-making within the corporation (Butkevicius, 2009; Kalcinskaite, 2009). Today, the concept of cloud computing or real time reporting is a dream of computing utility that has potential to transform IT Industry. From the research of KPMG (2012) one of the Big Four auditors has indicated that many enterprises are ready and willing to move finance and accounting systems to the cloud.

Cloud accounting is an accounting software that runs on a remote server (s) rather than a localized computing gadget such as the desktop (Dimitriu & Matei, 2015). The software sends information to the cloud for processing and then returned to the user. Users can access data in the hosted application using any internet-enabled device and then it can be accessed off-site and without desktop application. Using the software has its share of benefits and challenges to the business. According to Saasu (2013) cloud accounting referred to online accounting that performs same function as accounting software, runs through servers and accesses by using web browser over the internet.

The SAGE (2018), Australian group has a report on "The Practice of Now" based on 3000 accountants' responses, the study said that 45% of small enterprises, 57% of midsize enterprises and 58% of large enterprises chose cloud accounting over the desktop alternatives. Xero (2017), the leading cloud accounting software provider exceed quarter of million subscribers has announces existing partnerships in the United Kingdom with Hong Kong and Shanghai Banking Corporation (HSBC) and Banco Santander to deliver banking services on Xero cloud accounting platform for bookkeepers and accountants to run their entire back office . Having data or application in the cloud can contribute anytime from anywhere access, especially financial data, and users can work together with Certified Public Accountants (CPAs) and clients.

Benefits of Cloud Accounting

Advantages

The main advantage of cloud accounting is its ability to store large amounts of data and provide readily accessible and recoverable historic information contained in backups (Pacurari & Nechita, 2013). The information in the cloud is stored in multiple servers; data is saved in many places, making it easier to access backed up data whenever paper files are lost during an emergency. Loss of critical data in emergency situations, such as earthquakes, can have damaging consequences on a business that uses traditional accounting software whose servers are in-house whereas a business that operates cloud accounting system can return to normal operations quickly with the use of data backups. Unlike traditional methods, cloud accounting provides improved system accessibility which in turn improves efficiency. For instance, there are no limitations as to when or where users can access information using the internet connection and a variety of devices (Dimitriu & Matei, 2015). Employers and employees can both work outside the office and still manage their teams and collaborate with their personnel more effectively. Moreover, the program's ability to provide real-time access to critical accounting data speeds up the decision-making process thus enhancing efficiency. Forbes (2018), predicted 83% of United State small businesses will entirely adopt cloud computing system by 2020 which the present percentage is 63. Stripe is the online payment company that aims to be a top spot on 2017 Cloud 100 list, followed by Dropbox the file storage and sharing company, Slack Company, DocuSign the e-signature and digital transactions company in the top five lists is Dutch online-payments company Adyen (Forbes, 2017). Cloud Security Alliance (CSA) and Information Systems Audit and Control Association (ISACA) association's survey report on Cloud computing maturity study 2012 perceived by 252 participants from cloud computing users, service providers, integrators and consultants from 48 countries addressed that enterprises seem to be attracted by increase productivity, cost reducing, the agility and flexibility of the service.

A cloud accounting software can be essential savings tools. To begin with, the company does not need to acquire computer equipment and IT staff members since the provider is responsible for managing data backup (Dimitriu & Matei, 2014). The business does not need to incur capital expenditures as the cost of the software is paid periodically, monthly, which also offers an opportunity to change software if not satisfied, and eliminates the risk of losing capital investment in case of short-term business failure. The periodical payments help ease for the organization's cash flows which would not happen if payments were made in bulk. Moreover, the software provider is responsible for maintaining and upgrading the software hence saving the business such overheads.

Figure 1 shows Cloud computing advantages (Miller, 2009)

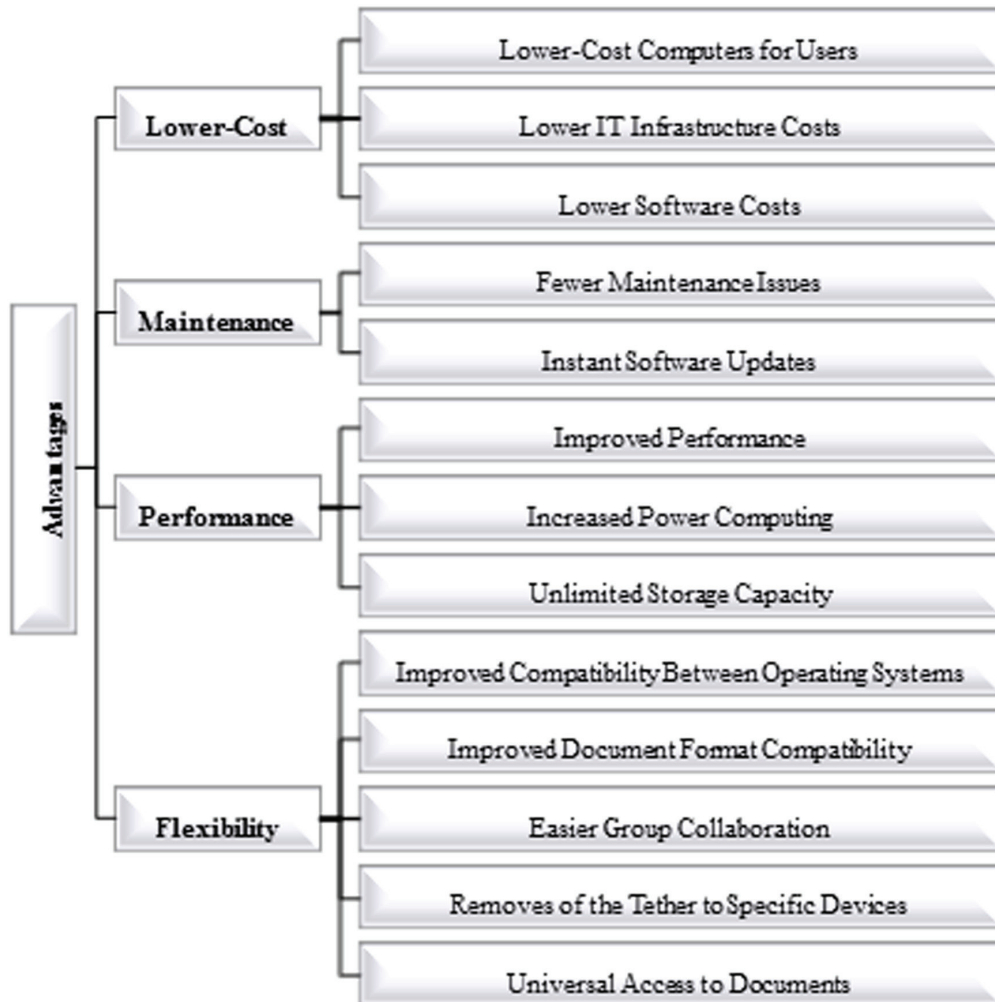


Figure 1 Cloud computing advantages (Miller, 2009)

Disadvantages

Processed and stored data such as general ledger, payroll database, and sales data base, the secure data in cloud accounting once storage center being damaged the consequences will be unbearable. Cloud accounting could make business dependent on Connectivity and open access, reliability, interoperability between private cloud and public cloud. The growth of cloud also contain political issues due to global Boundaries; for example, on confidentiality and privacy of the Canada government asked not to use computer global network that was operated within United States borders (Mather, 2009). There are some of cloud failures cases such as PayPal outage disrupts on august 3, 2009 PayPal online service payment experienced loss of electrical power for an hour and another three and half hours, the total of transaction affected have been high as \$32 million. June, 2010 Intuit Company the financial software provider for small businesses was suffered from outage about 36 hours causing customers unable to retrieve to their financial records and later company lose customer confidence in its cloud services. On August 2012 Knight Capital Group (KCG), the financial enterprise, used Cloud trading software, they ran out of control from the algorithm got buggy for 45 minutes by the bleeding time stopped

Figure 2 shows Cloud computing disadvantages (Miller, 2009)

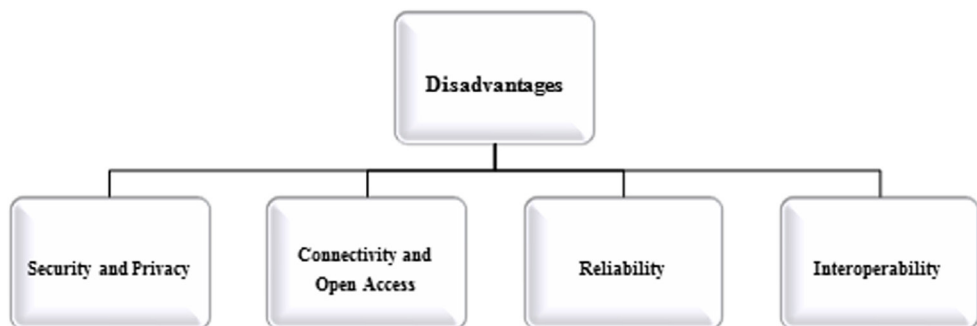


Figure 2 Cloud computing advantages (Miller, 2009)

Traditional Accounting Software vs Cloud Accounting Software

The cloud accounting software has similar functionality to traditional accounting software in that they are both accounting software. However, each of these programs varies greatly in other aspects. For the traditional program, the company needs a dedicated hard drive for installation of the software and storage of financial data (Wyslocka & Jelonek, 2015). Users of the program cannot use any other device or network other than a desktop application to access the data from a specific location which restricts mobility and schedule. However, with cloud accounting, remote servers, connected to the software using the internet are used. With the cloud, the end user can access financial information while working through the web-based interface using any compatible device; no need to install a desktop application. Additionally, cloud accounting provides real-time data updates and redundancy through backups whereas the traditional method requires the company to create manual information updates in every location where data is present.

In traditional accounting, the organization is responsible for maintenance of servers, purchasing new servers to increase capacity, and bearing the costs of software updates (Brandas, Megan & Didraga, 2015). However, with cloud computing, the company does not incur hardware associated overheads since all information is stored on a remote server. The costs of associated with changing server storage capacity needs and automatic software updates are covered in the periodic subscription fee.

Unlike cloud accounting, scalability is an issue with traditional software. For every new user in the traditional system, software installation and granting access is a necessity. Cloud accounting, however, is not influenced by the storage capacity, or devices that the company can afford the purchase and maintain. The method supports business growth needs as it includes multi-user and multi-role management platform to meet the increasing business needs as required (Ionescu et al., 2013).

Table 1 Traditional accounting software vs cloud accounting software (Source: Christauskas & Miseviciene, 2012:17)

	Traditional software	Cloud accounting software
Software license	Company is the owner	Company is the tenant
System location	Chosen by company	Operated by Cloud
Hardware	Provided by the company	Included
Operating system	Provided by the company	Included
Maintenance costs	Separated	Included
IT resources	Provided by the company	Not necessary
Number of users	Limited	Limitless

Challenges of Cloud Accounting

Despite the various benefits provided by the adoption of cloud accounting program, the system presents the business with a variety of challenges. The main problem with the software is data confidentiality and data safety (Ionescu et al., 2013). Cloud accounting requires companies to share sensitive data with a third party. As the company has no control over the actions of third parties who have absolute control over data storage, these parties can take advantage and use the information to pursue their business interests. Cloud data could be housed in a different state or country and can be accessed by the government for reviewing and auditing the organization's financial performance. Program providers cannot guarantee data safety and security from hackers. Due to increased accessibility, the risk of hackers gaining illegal access to sensitive company data increases. Hackers may steal or destroy crucial data or use it to blackmail the company thereby tainting its public image.

The software may present the organization with application restrictions due to lack of compatibility with existing applications that are essential to business operations. The service providers can only avail of what they have and as such cloud accounting software may not provide the business with required applications. Restricted use may be problematic as it may result in duplication of efforts, confusion, loss of important data, and other inefficiencies. Lastly, the majority of the cloud accounting software fail to provide users with systems or facilities for backing up data in private computers. As such, the business is at risk of losing vital information that was already entered in the retired software or incur additional payments to continue using own data.

Conclusion

Information Technology (IT) is rapidly grown and the cloud accounting concept is still in a progress of transformation however, many enterprises have not heard about this solution. The article shows how cloud accounting benefits and supports the need of IT as a real time accounting. The article illustrated, all challenges that impact organizations which are looking for better ways for their business. Cloud accounting program could be your answer to help enterprises with numerous advantages from time saving, low costs to ease of access, efficiency, big storage data provider.

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