

CLLOUD ACCOUNTING: A NEW MODEL OF BUSINESS ACCOUNTING

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ABSTRACT

Cloud Accounting is a system where financial data and related software are stored on the internet rather than on computer hard disc with the objective of accessing these data at any time, at any place and from any device which has internet access. 'Flexibility' is the most important characteristics of cloud accounting, as it helps the businessman to observe and run its business activities from the place wherever he may be. Now-a-days the people are mobile, they are not supposed to work by sitting only in the business premises and during business hours, so it is important to mention here that under cloud accounting system the users can access business data as and when needed, where he may reside, by using mobiles, tablets or other electronic devices. The utility of cloud accounting has been considered in respect of its usefulness for small businesses, it gives the opportunity to reduce the amount of time spend on tedious and time consuming tasks, it is also argued that storing data on the cloud can be more secure than storing it on the desktop. Cloud accounting also leads to dematerialization of accounting documents.

KEYWORDS: *Cloud Accounting, Cloud Service Provider (CSP), Information Technology (IT).*

Introduction

The prime objective of any business accounting system is to provide the systematic way of recording all business transactions and to present them in proper manner for their users. The systematic way and proper manner may be influenced by the mandatory requirement of accounting standards and respective country's law. The accounting system has an important role in providing financial information for decision making purposes. As we know the world is subject to continuous change, globalization and the increasing development of informational technologies have significantly changed the business environment in order to achieve performance and progress. Hence, in the era of technologies changes a new term **Cloud Accounting** has developed. Cloud accounting is a system where financial data and related software are stored on the internet, rather than on computer hard disc, with the objective of accessing these data at any time, at any place and from any device which has internet access.

The increasing complexity of business environment and enhanced competition at a global level impelled the need for innovations. The emergence of accounting software has significantly changed the accounting practices. The expansion of information technology and emergence of the internet have also shaped the art of recording accounting information. In the era of IT enhancement the most rapidly adopted paradigms has been seen in the field of accounting as 'cloud accounting'.

The most important characteristic and quality of cloud accounting is '**flexibility**', it helps the entrepreneur to run its business, wherever in the world he may be. He may remain quite confident about up-to-date picture of his business. In the present scenario the people are mobile-they used to work outside their normal office time, away from their office premises, on mobile, tablets or other devices. Thus, it is important to mention here that under cloud accounting system the users can certainly access business data as and when needed, wherever he may reside.

The beauty of cloud accounting has also been considered in respect of its utility for '**small businesses**'. For running a successful small business it is important to focus on looking after the

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clients/customers, increasing the revenue and improving profitability. With the help of up-to-date data, accurate information and real time data one can take appropriate decisions, improving profitability and can make cash management. It gives the opportunity to **'reduce the amount of time spend'** on tedious and time consuming tasks. The other most important characteristic of cloud accounting has been seen as **'security'**, it is generally argued that storing data on the cloud can be more secure than storing it on the desktop. Most of the cloud service providers take great care to protect the data. The level of security can be higher depending on regular password changes and training to staff on security matters.

Cloud accounting also leads to **'dematerialization of accounting documents'**. Various studies also claiming that the utilization of cloud computing based accounting application is cheaper than traditional accounting system. The purpose of this paper is to build upon a theoretical approach and examining cloud accounting as a new business model. It will present the use of cloud accounting in the field of accounting in qualitative manner. Through this paper the possible risks and the benefits of cloud accounting will be explained.

What is Cloud Accounting?

It is difficult to define cloud accounting, as different people explain it in different ways. However, cloud computing refers to use of computer and other electronic devices with software applications as service online or through internet. Technically, working in cloud is a platform where the data and software are accessible online, anytime, anywhere and from any IT device which has internet access. Simply we are working with business data online on a platform to share the information.

After the inception of cloud computing in various business activities, it reached to accounting area also. The accounting system of a business enterprise cannot be apart from its other business activities but it should rather be integrant with vital role in the business as a whole. Hence, to achieve this objective the accounting model should be developed in the manner to add the financial aspect and for the business itself. The combined use of cloud computing and the accounting software, have, led to the development of 'cloud accounting'. The cloud accounting can be explained, in better way, through its advantages and functionalities. In this way the cloud accounting is a new business model, powered by cloud computing technology. It is also known as 'online accounting'. This software acts like accounting applications installed on users' computer, but it performs on the servers provided by online service provider. The users can access them through web browsers.

How Is Cloud Accounting a Different Business Model

Under traditional accounting system the accounting software are generally purchased as a product and installed on users' computer. But in cloud accounting the service provider provides accounting facilities on server as service rather than as product. Cloud accounting is actually considered as **'The next generation of computing'**. Under cloud accounting the service provider provides computer hardware and software applications as service through the internet. It allows users to store and access the accounting data through different devices located at different places. Now-a-days companies are purchasing accounting software applications from specialized service providers and not the accounting software itself (which requires license and necessary infrastructure). All these changes provide the accountants with more online accounting system, better connectivity and ability to work remotely. As evident from the above discussion that the cloud accounting applications are performed through internet and the data of the customer are also stored and processed on it. The ownership rights of the system rests with the service provider, the client is only able to use the application. All it indicates that the cloud accounting is a **different business model**.

How Secure is Cloud Accounting?

As already discussed, under cloud accounting the accounting information and data are stored on the server of software application provider and all ownership right of the server rests with the service provider, the client is just like a tenant. Then a question arises that **'how secure is cloud computing'**. This is the question which is raised by almost every person who is moving to use cloud accounting first time. The security of data depends on many factors like:

- Client's attitudes towards risk
- Nature of Data
- Strength of Security
- Process carried by the service provider

Some IT people argue that storing data on cloud are more secure than storing on desktop. Cloud service provider provides greater measures to ensure client's data. They provide backup power supplies, firewalls, data encryption software and regular third-party security audit, protection of data against floods and fires by keeping multiple servers at different locations. Controlling access rights, regular changes in password, strength of password, training to staff and reliability of provider can reduce the risk at minimum level. Most cloud accounting provider allows users to test their service free of cost.

Benefits of Cloud Accounting

Now-a-days, due to the impact of globalization and rapid changes in science and technology the whole world is shifting from traditional software accounting to cloud computing. Various accounting software providers are moving from their traditional product to the cloud and are providing different forms of cloud accounting solutions. According to financial experts and IT professionals any business can witness extensive benefits from using cloud based accounting these benefits can be narrated as follows:

- **User-friendly:** Use of new software under cloud computing technology is much easier than traditional software installation. Cloud service providers help in moving to new software and make the data transfer as automated as possible, they also provide training to the staff on cloud accounting software so that they can get the benefit of quick accessibility.
- **Cost Reduction:** While using cloud accounting there is no need for making huge capital expenditure on in-house IT equipments and software licenses, along with no use of engaging highly paid IT professional for installing or upgrading accounting software. All these facilities can be obtained on rent basis by paying monthly fee. By this way the companies can optimize the cost by shifting from fixed cost to variable cost.
- **Time Saving:** Cloud accounting creates new and different types of working practices. Recording one entry on the system will automatically post that transaction in respective account. In case of banking business, automatic posting is made in the electronic bank statement creating automate e-mails, messages, sending scanned supplier's invoices, all these activities reduce the time associated in this regard.
- **Helpful for Small Business:** It has been observed that small businesses are the biggest beneficiaries of online cloud accounting. Without making huge capital expenditure on in-house IT equipments or software license they can obtain software applications and storage space on monthly payment basis, not even they need not to appoint much skilled staff.
- **Flexibility:** Flexibility is also an important characteristic of cloud accounting as the reality of life is that now-a-days people are mobile, they are not supposed to work all time only at work place, they should have facility to work at their own conveyance; cloud accounting can serve this purpose. In the era of women entrepreneurship, such requirements are increasing day by day, work from home is also outcome of this new business model.
- **Data Security:** A big challenge arises before cloud accounting as regards security and protection of clients' data from unauthorised access, theft and from computer hacking. IT professional claims that storing data on the cloud are more secure than storing on desktop. Most cloud computing providers take more care of customers' data. The security level depends on the clients' demand. The cloud service provider have much better expertise in providing higher level of security than normally security measures available for internal PC in the market, resulting into more reliability and security in the cloud computing system.
- **Quick Decision Making and Increased Productivity:** The beauty of cloud accounting software has been seen as it is available 24/7. It allows users to run its business, wherever in the world he may be, no restriction to remain in office. All the information as regards output, sales, customers, and finance are readily available every time for decision making. The user can access the information from any mobile device as regards bank balance, business transactions, real-time view of the business and better visibility of the cash flow, all these characteristics of cloud accounting helps in developing the business productivity.

Conclusions

The impressive development of information technology has changed the whole society at large, as IT gadgets are spreading in almost every aspect of the life of human being. The cloud concept has become more popular in the field of accounting because the companies are adopting cloud-based

accounting software in order to enhance their efficiency and to attain many other benefits. Various studies reveal that the rate of growth in cloud adoption has been seen a dramatic increase. The cloud computing based accounting business model enables all the entrepreneurs to closely watch their business activities by accessing up-to-date financial information at anytime and from anywhere through internet browsers. This article is based on theoretical concept of cloud accounting paradigm and does not intend to provide any technical outlook. Further new concept of **Robote Accounting has** also been come into notice, which requires further and depth study in this field.

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