

Why Cloud Based Accounting Matters to Everyone?



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Executive Summary

In this whitepaper, we look at the importance of the cloud-based accounting for various individuals and businesses. It discusses the changes that come with accounting needs for different levels and how cloud computing accommodates with them.



For most of the practical aspects of the human life, financial status has a great significance to decide our abilities and limitations. Therefore, it is essential to keep a proper track of the all the financial changes occurring with time. This importance almost remains the same – be it a self-employed businessman or a business itself – the complexities of the accounting or financial tracking may vary depending on the source of earning and the behavior of expenses.

Cloud computing has come up as a great booster for the technology world. By hosting the data at a remote location and then providing it via a (wireless) network, it has reduced the hardware dependency and enhanced mobility with the operations.

An increasing number of users are getting familiar with the mobile devices that are greatly dependent on the cloud-based operations. Various business operations, such as communication, product application development, data storage, payment transactions, etc., are executed on cloud. Stats indicate that opting for cloud can bring the investments and still improve productivity. Since most users are amply accustomed with cloud-based solutions, adopting the same with accounting is simple and immensely productive.

Accounting

Accounting, which is often referred as “Language of Business” ^[1], is the gathering of the information relating to the finance, which can be influx and withdrawal of debits, credits, asset, liquid cash, and other economic capitals belonging to any unit.

For an individual

The accounting will include the calculations of income, owned property, personal expenses, tax payments, etc.

The process is comparatively simpler because of lesser number economic factors involved.

For a business

The accounting will include the calculations of the employee payroll, sales, refunds, shares & investments, etc.

The process is comparatively complex as the factors to be considered are more.

From calculations of daily expenses to analyzing the changes in the fixed assets over a longer period, there are various operations that accounting involves. Some of the common accounting operations are:

- *Cash and Cash Equivalent Collection and Payment*
- *Evaluation of Fixed Assets*
- *Preparing of Financial Reports*
- *Filling of the Taxes*
- *Regular Check at the Worth of Long-term liabilities*
- *Assembling Statements and Invoices*

Proper operation with the business relies on current financial calculations and future probabilities. A better grasp of the accounting represent the areas that are causing the losses or where one can recur more gains, in the long terms as well as short terms. Evaluating performance and meeting deadlines are other important welfares that accounting can offer. All of these are inescapable factors – be it any business or individual. Realizing its worth, accounting is in practice since ages and has seen a number of changes with the methods in which accounting has been executed. Among the recent ones, computers-based accounting has been greatly popular and has almost eliminated its predecessor, the paper-based accounting.

Computerized Accounting

Early Computer-Based Accounting

Accounting is among some ancient professions. As the economy shifted from the barter system to currency system over the years, there was a massive change in the manner of accounting operation executions. With constantly fluctuating tax regulations, business models, economic policies and market stabilities, the accounting operations had to expand its ability which diminished the worth of paper-based accounting [2].



Computer oriented accounting was introduced which offered a number of advantages over paper-based accounting:

- Lesser manpower needs
- Reduced error in calculations and data entry
- Easier to maintain and store data
- Reduced redundancy
- Enhanced reusability

Modern Computer-Based Accounting

The computing features evolved further in the last decades. Accounting on computer witnessed better and more significant simplicities in the operations. With the improvements in networking capacities and the shrinking size of storage devices, accounting information could be shared and stored easily, which was very helpful for large scale businesses that have to collect the accounting operations over the different global locations. It helped the individuals and smaller businesses by providing affordable accounting solutions, secure storage and easier updating options. There were a many more benefits that arrived into accounting:

- Integrating with CRM
- Reconcile bank accounts
- Inventory and Store Integration
- Multi-level Error checks
- Automated taxation calculation
- Automated financial statement generation



Cloud-Based Accounting

As the monetary system is turning electronic, the medium of expense and sales are going mobile around the globe, which leads to instant and increased transactions. This results in complexities with the tracking of traditional immobile accounting solutions. The problem gets worse in respect to the file format as the user constantly switches their preferred device because the computer technology is upgrading at a hurried pace. To deal with it, better solutions are required, which can offer more availability, easier portability, and increasing storage capacity. With all these, the privacy of the accounting data has to be maintained as well.

Challenges that Computer-based Accounting faced:

- Limited storage space on device
- File format variations for different devices
- File transfer issues when changing the device
- Multiple copies of same files when different users are working on it
- Lack of sharing options
- Limited backup and disaster recovery solutions
- Lack of balance with update in software and OS



Cloud computing is a perfect solution for such modern accounting issues and demands.

Cloud-based accounting provides the access to accounting software over a network. Mostly availed on the internet, cloud-based accounting allows the user to perform all the accounting operations on any supported device. Thus, the easiest benefit is that no device-specific installation is required. Hence, no hard disk issues, no memory issues, and no specific operating system restrictions are valid. It means, user can manage accounting operations almost equally well on a 27-inches Mac desktop as on a 5-inches Android Phone.

But delivering complete accounting software over the cloud is not limited to cross device compatibility and storing some accounting files online. It involves a stringent programming to overcome a number of challenges, which includes availing various accounting-specific features, keeping UI simpler for the users, maintaining data security etc.

Advantages of Cloud-Based Accounting over On-device Software

Instantly and Ever-Available Financial Reports

Cloud-based accounting brings financial reports and other accounting details right into the user device, over the internet connection. Since most of the cloud-accounting software programs integrate with each other to compile together different accounting actions, such as bank account transactions, pending bills and inventory details. Cloud can collect these details and sync them to present the user with the latest accounting information. Without being concerned if it's home PC, business laptop, or smartphone, the user can access the accounting details just with the availability of the internet connection. Not only it allows the CPAs to work on their tasks easily, one can even monitor their personal or official expenses instantly.

Multiuser Collaboration

Controlling all the accounting tasks is not usually possible for an individual user. Even in a small business, there are various departments, where various actions, directly or indirectly, affect the accounting operations. With the help of cloud computing, these different departments (or users) can update their details immediately and other concerned with it can be updated so that they can take further actions ^[3]. Hence, the real-time collaboration between the users results in a more efficient delivery of the accounting. Cloud does not simply let any user to work on the files as the admin can control the permissions for sharing, editing, or reading the files.

Better Storage Management of Files

When computer was initially used for the accounting, better file management and storage was given as its biggest advantage. But the insatiable human needs started to demand for more and the cloud computing offered with the solution. Since all the data is hosted over the service provider's data center, the user does not need to worry about the storage space. Furthermore, being able to access from any supported device ensures that the multiple copies of files are not created. Multiuser collaboration also helps in minimizing file redundancy with various users.

Automated Backups and Easier Disaster Recovery

Though the introduction of IT brought in many significant benefits for accountants, the vulnerability to the losses due to various hardware or software issues has always lingered. Creating backups of the data is a commonly recommended guideline for the computer users, but the criticality of the accounting data makes it even more important for professionals affiliated with the accountings. Still most of the users do not maintain regularity with the backups because of negligence. Even those who are regular with the backups often keep it onsite (and usually on the same device). Thus, the event of hardware or site damage can result in complete data loss. Cloud hosted solutions offer a regular and automated data backup option for some months or weeks. For the users, it means that they are always prepared with a solution for the data loss.

Extraordinary Security and Privacy

Financial details are considered among the most critical and private data for the businesses and equally for the individuals. Given the fact that the working on cloud means hosting the financial data on the cloud which belongs to a third-party, cloud technology has seen a great amount of changes since its advent. Currently, most service providers offer a reliable end-to-end encryption technology for the data security, which allows only the authentic users the access the data. It is considered as a better security practice than most of the traditional on-device data security technologies. Being able to serve the authentic users only, it can even control the access permissions for different users and hence, the privacy of the data between different users is maintained chiefly. So, cloud does not simply let the different users to view or make changes with the files randomly.

Easier Upgrading

Various upgrades the computing technology offers for the betterment of performance, security and usability can be circumscribed within the hardware at times. In case the updates do not support the existing hardware specification, then either the accounting operations will not be able to accept the latest updates or the hardware needs to be upgraded. This situation changes with cloud computing as it is a technology that depends on network connectivity while local hardware and software dependency is least. Thus, the upgrades can be availed over a network without much of the issues. This feature of cloud accountancy can be the house many benefits as it influence almost all other operation of the hosted software.

Cloud Accounting for Individuals

Accounting methods depending on cloud computing have mainly focused on businesses, while CPAs or active accounting professionals have earned some attention among the individual users. Since the complexities with the accounting operations rises with the increase in the number of individuals involved in the transactions, the need of technological methods is more sought for. Businesses involve more complexities with accounting, because of which cloud had it as favorite. Cloud accounting solutions for the individuals arrived late as compared to business accounting solutions. Even the early solutions that came were more business-centric than individualistic.

However, it is the requirement of the maintaining a truthful finances among the individuals that developed the whole concept of business accounting. With immense growth in the internet and mobile technology leading to upsurge in the trust on cloud, individual accounting has seen some major facelifts in the recent years. Even though such applications are not as diversified as business accounting applications, they can still easily maintain reliable expense tracking, expected estimates, payment reminders, automated bill payment, statement generation, etc. Commonly, banking applications are serving these features for individuals. Hence, it can be said that individual accounting is being controlled by modern banking applications. They are powered on the cloud computing, which allows a centralized data collection for all the financial transactions occurring with the account. This centralized data can be accessed with the requisite authentication on any standard device via web browser or a dedicated application, which is a feature inherited from cloud technology.

Though Individual accounting on cloud is immensely dependent on banking application, it is not limited to it. There are a number of other applications that run on the power of cloud to work on a number of bank accounts together and deliver a better accounting experience. Being available for a number of platforms, such solutions are earning slow but noticeable recognitions in the app stores, obsessed with gaming and entertainment applications. For an individual, the need that intensifies the requirement of cloud technology for accounting operations:

Instant Expense Tracking and Estimating

Sending and receiving money to distances takes place at the speed of electricity now. With the availability of card payment options and a number of electronic payment options available, the rate of transactions has paced up. To keep up with this pace, individuals require a solution that can easily sync with all these transactions and let them know what their current unsettled payments are or how much they have in their various e-wallets for expenditure, so that the expenses can be planned accordingly.

Cost Effective Solution

Cloud-based applications, available as mobile or web browsing apps are pretty much affordable as compared to hiring an accounting professional. Accounting on cloud benefits them in a number of ways as accounting is not their core operation and their usual tendency is avoid spending much on it.

Cloud Accounting for Businesses and Professionals



The accounting requirements and complexities in this case are soaring high and so are the features which cloud-based accounting offers. Accounting requirements for the different businesses varies greatly depending on the core services that they deliver. Other factors, such as service locations, business asset, employee payrolls, etc. are some of the factors that no business can ignore with the accounting. CPAs serving the businesses have to consider on these factors as well.

Peculiarity of the business type, such as Production and Manufacturing, IT or Online Service, Transport and Logistic, Franchisee, Import and Export, Independent Contract, Financial, etc., have different structure of financial transactions, which develops different methods of accounting as well. These differences in the methods are further increased with the size of the business in respect to the profit earning, customer base, and employee numbers. Various manual and computing methods have been assisting the accounting operations for them since long, but introduction of cloud has brought in some considerable improvements in the efficiency. Advantages earlier mentioned such as- instant availability, multiuser collaborations, better storage, etc. have allowed the businesses remain up to the task in the competitive market ^[4].

For businesses, CPAs, and other accounting professionals, the needs that strengthen the requirement of cloud technology for accounting operations are:

Greater Control on Financial Transactions

From expenditures to earnings, cloud develops an instant updating capacity that keeps the track of all minute and major financial transactions occurring with the business. No matters if the business is widespread on the globe or it does not even have particular office to work from; cloud-based accounting can automate a number of transactions, remind the clients for the meeting, calculate the gains and the losses without errors, and do some more similar actions without considering the physical hardware dependency. Hence, a better control on the finance can be attained, which was not possible with the earlier tools.

Simplified Inter-department Actions

Dependency of account on various departments is obvious. For example, maintaining the right flow of inventory, allowance to marketing team, and paying bills for telecom and power supply at head office involves different departments, but overall sums down through the accounting channels. With the traditional methods, such operations were spelled as hassles. Cloud, however, works with centralized accounting operations to allow the different business teams to grind together on the same accounting files under a monitored environment.

Taxation Burden Reduced

Since taxes are as certain as the death, it is not possible for business to avoid them. With the taxation rate varying with respect to regions, good concerned in transaction, and several other factors, it is tough for accounting professional to control all with limited software intelligence. Cloud supported accounting solutions are capable of updating the latest taxation rules for different regions ^[5]. Allowing a number of users to work together, accountants with a different taxation expertize can work together to effect in their mastery on the same files at the same time.

Reduced Accounting Cost

Cost is a critical factor that comes into play for the businesses as well as individuals. Cloud-based accounting destroys the requirement for certain hardware machine that consumes precious office space and then maintenance and upgrading needs are reduced. This overall saves significant expense for the business. Since accounting is not core operations for the most of the businesses, they do not find it worthy to spend a healthy sum on it. So cloud-based accounting serves that purpose fighting fit without compromising anything on the productivity.

About Author

Nishant Kadian is a technical writer and formally associated with Ace Cloud Hosting. He has a strong interest in cyber security, cloud computing, and accounting applications, such as QuickBooks. He has more than one year of experience of writing about them. Smartphone, computer, and internet are his best friends and he spends most part of his awakeness with them.

About Ace Cloud Hosting

Ace Cloud Hosting, powered by Real Time Cloud Services, LLC, has been providing hosting services for over 10 years. The company ranks amongst the most trusted providers of Application and QuickBooks hosting services.

The company has the experience to offer clients with reliable services and secure platform for hosting their applications. As an Intuit Authorized Commercial Host for QuickBooks software, Ace Cloud Hosting is the leading QuickBooks hosting provider and is changing the way businesses operate by simplifying access to data and files all over the world. Accountants and CPAs are not restricted by distance and time. The cloud service provided by Ace Cloud Hosting is adaptable and scalable according to business requirements. It provides the ability to expand their business to work with clients from further away.

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