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Cloud Accounting As a New Business Model and Its Influence on Accounting Process

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Abstract

With cloud computing transforming the Information Technology industry, the business sector has equally received a major boost coming from the creation of cloud accounting. The idea of having a smart system manage finance and accounting has been traced to New Zealand, where in the year 2006 an emergent company, Xero demonstrated the possibility of having accounting done in line with the cloud computing frameworks. Looking at the vicious competition in the market today, it has become necessary for businesses aiming to achieve their goals to carry out both internal and external analyses to enable smooth transition with the ever dynamic market trends. Accounting, as a critical area behind the growth of any business has not been left behind in this evolution, with technological innovations availing unimaginable accounting software that were unimaginable in the past years. This is basically; a cloud technology based accounting system, which avails numerous services, revolutionizing the account industry as all the traditional and cumbersome paper work oriented system is replaced by a more convenient and equally reliable cloud based accounting set up. This wake in accounting, despite being new in the market has received positive feedback with close to half of modern business setups embracing the approach. This paper aims to revisit cloud accounting from spectrum possible spectrum as illustrated herein.

Key words: *Cloud computing*, *Cloud accounting*, *Models*

Introduction

The field of accounting has for so many years stood the test of time and remained relevant to businesses in their day to day operations. According to Yonghong (2007), the fact that accounting is the area that manages essential business procedures, like record keeping, has made accounting integral to many organizations, as through it strategists are able to tell whether the business is heading the intended direction. Looking at the rapid technological advancements which have created a complete turnaround in everyday living, the business world has not been spared forcing organizations to make the necessary adjustments in response to the ever changing market dynamics (Pacurari & Nechita, 2013). By this accord, the innovation of cloud accounting, which is described as cloud-technology based advancements that have spearheaded the formation of software, hosted on mobile servers which enhances storage, transfer and access of information over the internet. According to Christauskas & Miseviciene, incorporation of the same into business has revolutionized operations, as needed data can be retrieved when, if and where required meaning accountants have been forced to rethink their approaches as cloud accounting is the gateway to even more advanced future innovations. This essay takes all the aforementioned issues into consideration seeking to objectively point out how cloud computing is modeled scoring on its concept, benefits, delimitations and impact on accounting among others.

Concept

It is important to note that cloud accounting has roots in cloud computing technology which facilitates networking; whereby resources are organized and attached to the internet over terminals meaning users need only the internet to access the resources. The idea of cloud accounting was put forth in the year 2011, where technological innovators merged their cloud technology into business developing virtual accounting data storage and processing platform (Christauskas & Miseviciene, 2012). To garner insight on cloud accounting, it is important to note a number of factors that facilitate the procedure. To begin with, it is of essence to comprehend that cloud avails services in three formats which include; SaaS (Software as a Service), PaaS (Platform as a Service) and finally, IaaS (Infrastructure as a Service). SaaS is a type of service in which software sourced from the internet is installed as an application availing the needed services to the consumer who renews subscription, as designed by the manufacturer (Zissis & Lekkas, 2012).

On the other hand, PaaS allows users the cloud capacity to access resources they need for application development and execution of software programs, thereby eliminating the need for the alternative hardware-software approach which is difficult to manage. Additionally, there is IaaS which seeks to eliminate the purchasing and management of software for end users availing more enhanced User Interface (UI) interactions between the service and the user. In other words there is no need to download or install software to facilitate command executions and relevant responses, instead, everything is virtualized and hosted over networks to vail the services when and if needed. Harnessing the skills of experts these services are merged into an organizations process and inclined to function in accordance to accounting needs (Dimitriu & Matei, 2014).

Deployment models for cloud in business

In this context, models are used to represent the various channels through which the incorporation of cloud accounting into organizations can be achieved. There are four models according to Arsenie-Samoil (2011) include;

Private Cloud Accounting. In this model, cloud resources are directed towards creating cloud services which are sourced and operated within the constrictions of a single organization. In other words, the single premise structuring permits only internal access and management of the information stored over specific channels. Significantly also, this method is regarded as the most secure as chances of third party compromise are limited (Zissis & Lekkas, 2012).

Public Cloud Accounting Model: As suggested by the name, this model evokes capacity for the larger public to access the cloud services, which is made possible for organizations aiming to net more consumers as well as giant institutions to efficiently manage accounting operations for instance; government agencies, schools, hospitals and public service provider centers just to name a few.

Community Cloud Accounting Model: The cloud service avails interconnections between different organizations. This enhances exchange and storage of information over cloud channels which is critical in the creation of vertical markets (Zhang & Gu, 2013). For like driven organizations cloud connectivity that mothers accounting makes it easier for idea sharing, in turn boosting businesses as organizations get to learn utilize market analysis grasping want is working for the organization and what is not.

Hybrid Cloud Accounting Model: Is the combination of two or more of the aforementioned models, which, is designed to avail a wider scope of services to organizations. By use of cloud computing, it becomes easier for organizations to manage portable media and other virtually enabling platforms (Pacurari & Nechita, 2013).

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Cloud Accounting Software Providers

At the heart of the cloud accounting is the issue of software provision. The software sets in motion the wheels behind the whole cloud accounting concept. Over time, technological advancements have seen new software make way into the market, each with its own unique element that sets is aside from competitors. This paper identifies the following software providers;

Xero

Xero, founded in New Zealand, has grown to become one of the most preferred accounting software provider, having amassed great influence in the business world to garner over 250,000 active users on the global scale. The software providers have laid emphasis on the small business sectors availing efficient accounting services to more than 100 countries. Referred to as the "Apple of cloud accounting," Xero has displayed massive potential and capacity to surpass geographical limitations growing to become one of, if not the best cloud accounting(Du & Cong, 2010). Importantly also the accounting software provider has remained true to its mission and showcased objectivity to achieving its vison, which is, to "be the global leader in matters cloud accounting." In line with this, the company has availed a number of cloud solutions, key ones being; facilitating client centered accounting options that ensures business goes on as usual, anywhere and anytime. Significantly also, by facilitating report and final management the business has created a brand for itself in the cloud computing industry (Christauskas & Miseviciene, 2012).

Sage One

This cloud accounting software Provider Company lays emphasis on making the experience more efficient through introduction of smarter services day after day. Among the areas the service provider focuses on is enhancing organization-consumer conversation made possible through creation of interactive cloud software, where clarifications between the two parties can be made instantly (Treves, 2017). Notably also, Sage One enhances the management of finances by availing secure channels, which are not only user friendly but also fluid to

consumer needs, meaning a single organization for instance a hospital can create a working software that can facilitate storage and processing of patients' records as per the Wings or type of treatment they require (Alali & Yeh, 2012).

KashFlow

KashFlow is based on the premise of making it easy to manage large and smaller businesses alike weighing in on the advantage that the individuals harnessing and taking charge of the idea need not have deep accounting skills. In order to achieve this, the software provider company KashFlow has incorporated almost a hundred systems including inventory management, branch monitoring, User Interface virtual interactions and ecommerce just to mention a few (Youssef, 2012). On the other hand the developers have created email oriented and cloud and crypto store systems which induce all operations giving the company a major advantage as compared to its vicious competitors in this line of business (Feuerlicht, 2010). Importantly also, KashFlow has invested a lot of resources in their products is investing in hosting, where emphasis is put on enhancing system's multiple data integration hence making it a preferred choice for large organizations.

FreeAgent

The Software provider company was set up in 2007 and sought to bridge the gaps that the original creators had identified in cloud accounting. The company grew to become s multinational company specializing in not just the normal inventories and payrolls but also developing time track systems which execute operations as programmed automatically. These services coupling up with the fact that their services are user friendly has allowed the company garner positive feedback from consumers growing to becoming a multinational company estimated to be offering services to over 40, 000 freelancers alongside other small and large businesses(Christauskas & Miseviciene, 2012). Located in Edinburg. FreeAgent has traversed local business operations leading in microbusiness management which has made it a preferred choice amongst small business enterprises, and finally, the fact that their team is consumer needs

driven, where they show concern in growing the business has given it a good brand name amongst customers (Youssef, 2012).

QuickBooks

This company poses as a big competition to the small scale software company rivals as it is driven towards enhancing account on small based businesses. Boasting in peer to peer (P2P) connectivity the company has taken slow but sure strides and builds up a reliable software provider partner that meets HM Revenues and Customs (HMRC) requirements. This certification has made it a consumer base as people are assured that their information and data is kept safe (Dimitriu & Matei, 2014). In addition, by offering an easy setup process where new users receive step-by-step guidelines have facilitated its brand development as it is renowned for its user friendliness.

Factors to Consider When Choosing Loud Accounting Software

Machine Learning (ML): This basically refers to the software capacity to advance its algorithms giving the software the capacity to auto modify (Rosten, Porter & Drummond, 2010). For instance when YouTube avails the recommended videos based on user searches, the modification to facilitate such is what is referred to as ML. For an organization, the fact that given software can advance with the advancements in internal accounting structure is an added advantage.

Artificial Intelligence (AI). Artificial Intelligence capacity is what allows systems and machines to operate normally minus human oversight (Russell & Norvig, 2016). For a growth oriented organization to have software that solely avails market trend graphs and information to an organization that has been picked from the internet, that is AI in play.

Integrations and Extensions. This basically refers to the ability to integrate data sets from one department to another, allowing instant conveying of information (Pacurari & Nechita, 2013). Expressively, for a company's human resource department to be able to pull employees details from their sale graphs over media and incline them in the HR systems to determine pay, demonstrates integration and extension capacity.

Benefits of Cloud Accounting

Analyzing the cloud accounting operations and services it is undeniable that it can foster a number of advantages to the organization. They include;

Cloud Accounting is Less Costly

This is made possible by the many available annual and monthly subscriptions which greatly save on costs, as compared to the traditional methods of accounting. Moreover, due to the recent advancements in cloud computing, virtual User Interface interactions have been intensified making it easier for persons with basic computer skills to access the services (Pacurari& Nechita, 2013). To companies and small scale business enterprises, this is critical as it eliminates the need for technical experts who would have otherwise been expensive. Additionally, by the mere fact that the tax waivers could be introduced in the future as well as unstable hosting dynamics, the responsibility to incur set costs is incurred by the manufacturer insulating organizations. All a company has to do is pay the required monthly or annual subscriptions on the computing software's and have the cloud accounting debt lifted off their shoulders (Youssef, 2012).

Enables Real Time Updates

Traditional accounting required the use voluminous paper storage strategies to ensure that data and information was recorded when and where it was required. Take up an instance where due to unavoidable circumstance or forethought irregularities, a change needed to be made and yet about fir hundred pieces had the error recur in them. Cloud computing is aimed at eliminating hassles of this nature, whereby, by use of programs the service provider only has to adjust the contentious variables and in no time have the host working as should. Furthermore by incorporation of cloud computing services where organizations pay for software on monthly or annual basis, updates can be designed to accompany both manufacturer as well as end-user organizational needs (Treves, 2017).

Access of information anytime anywhere

Cloud accounting allows storage of information which is hosted on cloud, which makes it easier for the authorized or required parties to retrieve the information that they desire. This is as opposed to the traditional methods of accounting where single computers and users were tasked with the mandate of enhancing information retrieval. This meant that in their absence their colleagues upon needed vital urgent information had no alternative but to wait or summon them from other activities which may have been of importance to the organization. However with the coming of cloud computing technology which was later merged into the business as cloud accounting, companies can even go the extra mile of availing products to be showcased to potential customers through utilization of the internet, which saves time on both parties (Weinhardt, et al. 2009).

Security of the Information stored

Tales have been told of how critical information tom companies was lost, to the many threats that information is susceptible to including; virus attacks, hard disk crushes and physical human alterations among others. In many a times this unfortunate turn of events has created a major problem in the system, zeroing companies that had made major steps(Rosten, Porter & Drummond, 2010). This is very devastating especially for small business enterprises where it happens the entrepreneurs invested a lot to guarantee success of their businesses. Cloud accounting aims to remedy all these challenges providing a guaranteed secure storage system of critical files and information that the company cannot afford to lose. This ensures that even in the unfortunate loss of information stored in the physical memories of hardware elements, the cloud avails the information which can be retrieved setting operations back to normal(Pacurari& Nechita, 2013).

Time saving

Think of a network, fully sufficient to the extent all authorized parties have been connected through cloud induced networks to retrieve the information they need wherever and whenever they may be. Person in point A for instance updates vital information like the market analysis report directed to interconnected employees to utilize in strategic development. People in point B have travelled for a business convention but in their hotel rooms they have been availed with WIFI networks. Even if the meeting is scheduled the next day it becomes easier for them to instantly access the information, just like the people in point A. The next time all the required members are meeting, the time that could have been used in shedding light on the unformed can be utilized in strategy development as everyone is in the loop of what is going on. This is the exact manifestation of the revolution that c loud accounting seeks to trigger, where information remains the least of organization's worries, availing more time for developmental projects within the organization (Feuerlicht, 2010).

Prompt detection and fixing of bugs

In cloud computing every bit of information is accounted for in a structured way. Unlike the traditional paperwork accounting systems, where error detection leave alone fixing took ages, cloud accounting utilizes automated "Imonitor" services to detected irregularities and unwanted fragments in the files stored over cloud. In the event an error has been detected, correction is prompt s can be achieved through updating of software and having IT experts resolve the issue, which based on the Imonitor services is very easy to detect (Zhang & Gu, 2013).Additionally, looking at the protection protocols put in place by the server mangers it is difficult for software as through debugging, mechanisms ate put in place that detect and contain the bugs till the next updates.

Efficient for organizational improvements

Every futuristic organization seeks to maximize on strategies that will elevate it to the next level in operations, starting from harnessing local, regional, and finally aiming for the global spectrum. With this in mind, strategy from all pivotal point are embraced in the quest to realize the set visions alongside missions. Cloud accounting avails a number of services ranging from storage to utilization of cloud technology to carry out market research and design on consumers' feelings and needs (Weinhardt, Anandasivam, Blau, Borissov, Meinl, Michalk & Stößer, 2009). Furthermore, through the software companies that avail services on subscription, it enables the company ample time to resolve financial challenges if emergent, bearing in mind that despite being cut back from access, cloud account information is still. This is as opposed to traditional methods whereby small businesses could be put on the edge due to insufficiency in funds to cater for IT specialists. In a nutshell aside cloud accounting availing access to vast beneficial business resources, pay as you go software services eliminates stress in financial difficulties (Rosten, Porter & Drummond, 2010).

Enables Automated Data Back Up

Regardless of how careful people managing businesses are, the truth is mistakes are unprecedented and unplanned for, meaning you never know when things will go wrong. Amidst these challenges, cloud computing through its auto back synchronization alongside the user initiated ones ensures that in the event primary stored data is compromised, other secondary and tertiary back up locations facilitate recovery(Treves, 2017). Additionally also looking at the vast amount of storage space that is available in cloud, organizations can develop and embrace and upload and management plans in specific times (Pacurari & Nechita, 2013). For instance everyday midnight, when computers are not in use, they can be set to carry out upload intricate information to the unlimited cloud space.

Cloud Accounting Related Drawbacks

Taking a closer look at the incorporation of cloud accounting some drawbacks were also uncovered and they include; one, due to the fact that cloud accounting is made possible through networks, it depends heavily on internet connectivity scoring out organizations and enterprises that may be lacking the capacity to have a stable connection, due to factors they cannot resolve (Du & Cong, 2010). Additionally, despite the many efforts to safeguard data from third party hijacking, the truth is there are hackers who keep advancing their techniques using Trojan, Malware incision, phishing among other unethical methods who through trial and error can be lucky to gain unauthorized access to business information, crippling down organizations. Finally, on the part of software developers, who are behind the creation of the cloud account services, hacking of voucher codes for upgrades, in so doing causing major losses (Yang & Lai, 2009)

Conclusion

Cloud accounting utilizes software to avail immense accounting services to organizations wishing to make the transition. Weighing on the above expressed arguments, it is an undeniable fact that cloud accounting is a "here to stay" concept. It stands as the gateway from traditional accounting to the technologically advanced modern accounting, where considering the benefits it has fostered so far, the future of cloud accounting looks bright. However, most businesses clouded by fear of having their information compromised have shied away from embracing this major milestones, this means software providers should work on strategies to address this shortcoming. The fact remains, cloud accounting will take over very soon, meaning businesses should adapt if at all they want to triumph this vicious competition storm.

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