
CLLOUD ACCOUNTING AS A NEW BUSINESS MODEL

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Abstract

Earlier Information Technology (IT) is considered to be a separate department which is primarily dealing with coding for business applications, website designs, etc. Now, IT is now an integral part of every department and accounting is no exception. Adapting IT concepts such as Artificial Intelligence, Robotics, automation, cloud technology, etc. has changed the way of doing business. Electronic data processing brings in greater efficiency and adds value to the business. Various business reports can be easily and quickly prepared with help of these computer systems. Increased functionality, improved accuracy, faster data processing, better external reporting, processing and presenting real-time data, etc. are few benefits of adopting electronic data processing in business. Cloud accounting is the most popular technological advancement in the field of accountancy. Cloud accounting enables bookkeepers and accountants to work on the same system irrespective of the location. It brings proficiency in bookkeeping and streamlines financial administration in any organization and helps in providing real-time data to business stakeholders. Cloud is a network model where data is stored in centralized servers and can be accessed anywhere with internet-enabled devices. The recent Covid pandemic has pushed all organizations around the world, to make remote working easier to their employees. Organizations with less manpower are also adopting cloud accounting software to handle and process their financial data. This paper has attempted to provide an overview of the concept of cloud accounting, the need for cloud accounting, and the benefits and risks associated with it.

Keywords: *Accounting, Cloud technology, Cloud, Cloud Accounting.*

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Introduction

Accounting is the fundamental language of any business whose financial data is used by wide range of users. In Simple, accountancy can be understood as, the systematic process of recording all incomes and expenses, summarizing and communicating the financial information to the relevant parties such as stakeholders and managers and further help in decision making process. The roots of accountancy may be traced back to the ancient civilizations when trade has actually begun. The transition has happened from a traditional book keeping to a modern accounting. Over centuries, Accountancy has evolved as a separate discipline with a set of accounting concepts, generally accepted accounting principles and standards that are to be uniformly followed by all business entities to mitigate financial fraud and inaccurate presentation of financial data. The continued evolution in the field of accountancy and integrating technology related concepts with accounting process, helps in process integration, faster data entry, real time data accessibility and increased efficiency in every organization. Many accounting reports and statements such as balance sheet, profit and loss statements, retained earnings statement, budgeting and forecasting, cash flow and funds flow statements etc can be prepared more easily, quickly and accurately with use of computer technology.

Accounting is a broader term which not just deals with capturing and analyzing income and expenditure, but also deals with other aspects of business such as Inventory management, Corporate social responsibility accounting, budgeting and forecasting, taxation requirements, payroll accounting etc. The bigger the size of the business, broader will be the scope of accounting.

The world has seen massive technological advancements in recent past. Computers, internet and personalized smart gadgets has transformed the face of doing business. Information technology has played a vital role of connecting workforce with organization during covid pandemic. Every organization right from Schools to Multi-National companies has accepted the importance of technology in carrying out their day-to-day business activities. These changes and technological advancements will not just end with the end of Covid pandemic, moreover, will continue to rule the future. Information technology has bought many advancements in field of accounting also. Big data, Artificial Intelligence, Automation, cloud accounting are few interesting technological advancements happened in recent years in field of accountancy. The turnaround time needed for preparation and presentation of financial statements, and other reports has been drastically reduced with help of computer systems and IT networks. The reports that are needed by higher management for decision making can be easily and quickly prepared with help of these computer systems. Increased functionality, improved accuracy, faster processing, better external reporting, processing and presenting real time data, etc are few benefits of adapting technology into business. Advanced Accounting Software packages improved business operations and other

production processes. They automated major part of accounting books. These software packages can be further customized based on size of the business operations and number of users. IT networks and computer systems have shortened the lead time and improved the overall efficiency and accuracy of the information presented to stake holders and management.

Recent few IT advancements in Field of Accounting:

- Bigdata
- Artificial intelligence
- Cloud accounting
- Automation

Objectives of the study:

The objectives of the study are

- 1.To explain cloud accounting concepts, advantages and risks associated
2. To explain the adaption of cloud accounting model and various cloud accounting software's available in Indian market and
- 3.Explain it's advantages.

Meaning of Cloud Accounting:

Cloud computing is generally referred to a network model where an application or a program runs on a centralized server or servers rather than on a local desktop or a personal computer. Such application can be accessed by any internet enable device like desktop or a Smartphone. In simple, the users can open their web browsers and start working on the application without installing the software in their personal computer or smart phone.

Cloud accounting is the gaining popularity in recent times,which enables book keepers and accountants to work on same system application irrespective of the location. It helps in better business data management. All the entities data is stored in single centralized server and enables its stake holders to access it irrespective of time and place.

In simple, the adaption of cloud network model to perform various accounting functions in a business is called cloud accounting. All accounting, accounts management, reports generation, financial data analysis etc. are carried out in a virtual accounting information system based on centralized server and accessed at any place or any time using internet.

The following table explains few differences between traditional accounting and cloud accounting.(Wu, 2021)

	Traditional Accounting	Cloud Accounting
Cost	Investing in both hardware and software is necessary. Need to allot budget for regular hardware maintenance. If more financial data to be stored need to invest in new servers.	No need to buy expensive hardware. Just pay for monthly software subscription. Maintenance is carried out by software provider on regular basis.
Data Accessibility	Real time financial data can be accessed by only one individual at a time.	Anyone who has internet facility can access the information on real-time basis.
Collaboration	Meetings and discussions can be done in closed rooms	Discussions can happen anywhere as long as team as internet access.
Safety	Financial data will be lost if hardware is damaged or stolen or in any fire accidents.	Data is stored in centralized servers and loss of data is not possible
Software update	Need regular software updating to meet business requirements	Cloud accounting solutions will be automatically updated
Data Security	Data stored in company's internal servers are maintained with high security	There are certain security risks in cloud storage

Cloud Accounting Overview In India – Available Software's And Cloud Options

Cloud accounting software is most popular alternative for Tally ERP which is widely used in India.

There are many companies that provide cloud accounting software services in India out of which 5 are focused in this paper.

- 1. Quick Books** - Intuit India Software Solutions Pvt. Ltd. has introduced QUICK BOOKS – an online accounting software package launched in India in 2012 with over 4.5 million customer base all over the world. With help of QUICK BOOKS account books can be accessed and managed from internet enabled devices like computer, laptop, tablet or smartphone at anytime and anywhere. It helps in knowing exactly how much a business have and it owe at any particular point of time. QUICK BOOKS facilitates data synchronizing and backup automatically. This software is specially designed to cater the needs of small business entrepreneurs, self-employed and accountants and also helps in creating GST invoices effortlessly along with keeping track of money.
- 2. Profit Books:** Profit books is one of the popular and best accounting software in India that is suitable for small business with multiple branches. It offers many improved functionalities and features to its users. With help of Profit books, a user can add 'n' of companies or branches under one main parent company. And with single click the user can access entire data of any particular branch or data of a company in whole. One important features of the Profit books is, integration with Retail POS billing which makes it more suitable for enterprises with Retail POS stores. It also facilitates filing of GST returns. In a nut shell Profit books is best suitable for business with high volume of transactions.
- 3. Reach:** Reach is another popular cloud accounting software in India with features like CRM, business dashboard, Inventory management, Billing and Invoicing, accounting and tax management, repair management, mobile app, GST reports etc and more popularly known for its business automation. Reach is a ready to use accounting software and will be able to run 21 different businesses from end to end within an organization.
- 4. ZOHO books:** Zoho books is one of the popular automated GST accounting software for small business in India. It provides a free 14-day trail to explore features of ZOHO books and also avail free subscription plan under GST scheme launch by Indian Government. Zoho books is user friendly online cloud accounting software that is specially designed for business with less than 1.5 crores turnover and provides various features like sending

invoices, tracking inventory, reconciliation of bank statements and generates reports like GSTR- 1, GSTR- 2, GSTR- 3 and GSTR-9 and helps small business to manage their finances and cash flows.

5. **ZIP books:** Zip books is another popular online cloud accounting software available for small and medium scale business in India. Zip books provides essential accounting, sales, inventory, purchase and CRM modules. It helps small business in streamlining financial operations and increase productivity. It is just like any other full- fledged ERP system, that has complete sales and purchase life cycle that is integrated into system. Business can get access to GSTR-1 reports, sales and HSN summary but most extended features like GST reports, TCS, TDS, and E- invoicing are missing from this software. For business who are planning for an ERP system with extended features would go for ZIP books.

Need/ Advantages of Cloud Accounting

Cloud accounting which is popularly known as web accounting or online accounting is nothing but processing all financial information in cloud. Listed below are few advantages of adopting cloud accounting.

- i. **Data accessibility:** As we know that cloud is hosted remotely, one can access the financial data from anywhere and any point of time with help of internet enabled devices like desktops, laptops, tablets or smart phones.
- ii. **Access to Real time data:** Cloud accounting provides real time access to financial information. Getting access to real time data by top management helps in better planning, forecasting, budgeting and other managerial decisions. With the help of cloud, we can get instant overview of company's current financial position instead of looking at historical reports.
- iii. **Time saving:** cloud accounting and inbuilt automated report generation features helps in saving lot of transaction turnaround time. The tools such as cashflow forecasting, online invoicing, industry specific project management etc. helps in time saving.
- iv. **Integration made easier:** Integrating various departmental functions is key to success for any business. With help of cloud concepts all departmental functions can be integrated easily and helps in achieving desired business goals.
- v. **Improved accuracy:** With adoption of cloud accounting, the risk of accounting errors is minimized as the accountant need not have in-depth knowledge of different accounting practices, formulas or shortcuts that were supposed to use in Excel sheet.

- All that is required is to enter incomes and expenses on regular basis to get an accurate report.
- vi. **Installation and Maintenance cost:** Unlike other accounting software's which require purchase of individual licenses and installed on desktops and updated on regular basis, the cloud accounting software does not require any license purchase or regular software updates. Cloud accounting software is hosted online and company need not buy a program to install on desktop. The access to cloud is available on web browser or mobile application and can easily log in to get access. Company can also save money by employing in-house IT team to look after regular maintenance and technical issues.
 - vii. **Reduced workloads:** Adopting cloud accounting model helps in reducing work load on accountants as it will automate many accounting processes like cash collection, bank reconciliation, inventory management etc.
 - viii. **Remote working:** Cloud accounting software facilitates remote working for employees. Employee can log in to software with help of internet enabled device from any location.
 - ix. **Data safety and security:** In cloud, all financial data and other important business data is stored centralized servers and data loss due to fire accidents and other natural calamities are minimized. Also cloud concept helps in securing data with help of limited access functionalities.

Thus, Cloud accounting concept has same functionality that of traditional desktop accounting but only difference is the entire process is moved on to the cloud instead of individual desktop. The enhanced data accessibilities and other advantages keeps Cloud accounting ahead of traditional accounting software's.

Risks associated with Cloud Accounting Model

Cloud accounting concepts also have few risks associated with it, where the management has to take top most care and perform necessary due diligence to determine right accounting solution to the business. Listed below are few risks associated with cloud concept.

- i. **Vendor may go away:** There is all possible chance that vendor may go away by breaching the agreements. It is very important to make contingency plans.
- ii. **Poor network connectivity:** As entire cloud concept runs on internet connectivity; it is very important to have strong network connection. Poor network connection may lead to loss of business hours and may decrease business efficiency. Also, for any employee to work remotely it is very important to have strong network connection.

- iii. Data security breach: Cloud accounting concept means whole data goes on internet. There is always risk attached like someone who is not part of business may access key data.
- iv. Unauthorized access: There is a possibility for employee's mis use their login credentials to export unauthorized data and view key financial data.

Cloud Accounting and Small Businesses

Cloud accounting model is more suitable for business with multiple store locations or with multiple branches. It is very important to integrate operations of different stores or business units to know exact financial position. This integration also helps in real time data accessibility and thereby effective decision making at higher manager levels. There is huge technological transformation happening all over world and the Integration of technology with key business processes helps in effective utilization of scarce resources. Thus, adapting integrated software business solutions can keep businesses ahead of its competitors.

Conclusion

The digital transformation and the technology enabled automation of various complex business processes helps in streamlining various business activities and drives in achieving desired goals. As discussed, cloud accounting technology helps in reducing complexity in accounting processes. For any organizations to gain competitive advantage over its competitors and sustain in the market, it has to be open to adapt technological advancements that improves business efficiency. In a nut shell the cloud accounting concept simplifies the accounting process, reduces transaction turnaround time and improves efficiency thereby the employees will have more time to work on process improvements and product development.

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