

NCACPA Roundtable Blog – January 2014

The information below originally appeared as a four-part series on the NCACPA Roundtable Blog.

An Introduction to Cloud Accounting

<http://www.ncacpa.org/introduction-cloud-accounting/>

By: Barry MacQuarrie
Blog Series: Post 1 of 4

They seem to be everywhere! I've seen them at trade shows and association meetings. They have been seen advertising in accounting profession journals and their promotional emails have probably reached your inbox. They are making a lot of noise!

They are the vendors selling cloud accounting solutions.

Are cloud accounting applications right for you and your clients? In this article, we'll define cloud accounting and look at the risks and benefits.

What is cloud accounting?

Cloud accounting applications provide much of the same functionality as desktop accounting software with one major difference: cloud accounting apps run on remote servers and are accessed via the web.

Cloud accounting applications are typically offered in one of these two formats:

Hosted applications: The hosted solutions involve your desktop or client/server accounting application, running on a remote server. You gain access to your accounting software using a remote session via the Internet. This solution allows you to use your existing software and data.

Software as a Service (SaaS): In this format, the accounting software and your data are stored on the vendor's servers, and are accessible via a web browser. If you have ever used a social media site or online banking, you have used a SaaS solution.

What are the benefits?

There are numerous benefits to cloud accounting and progressive business owners are enjoying them. Here are a few of the benefits:

Anytime, anywhere access: Your accounting software and operating results are available to you from a browser or mobile device. This is something that you can't do with today's desktop accounting solutions.

Better security: Most cloud accounting software is run from a data center, which offers multiple levels of security to protect the software and your data. The typical data center has significantly better security than most small businesses.

No installations or updates required: Cloud accounting vendors maintain the software and install the updates.

Automatic backups: The cloud vendor assumes responsibility for system backups. Your data is often stored in multiple data centers that are in geographically diverse locations.

No startup costs or long-term commitments: Cloud accounting applications are rented not purchased. They do not require a small business to invest in servers or software.

Platform agnostic: Do you prefer a Windows PC or Mac? What's your choice—Chrome, Internet Explorer, or Firefox? In the world of cloud accounting, it simply doesn't matter. Cloud accounting applications are delivered via a web browser and typically support all popular platforms.

What Are the Risks of Cloud Accounting?

<http://www.ncacpa.org/risks-cloud-accounting/>

By: Barry MacQuarrie

Blog Series: Post 2 of 4

What are the risks?

The world of cloud accounting is not without risk. These solutions are new and require that you perform the necessary due diligence to determine if the solution is right for your business. Here are a few of the risks:

The vendor goes away: Over a decade ago, we experienced a tech bubble where vendors were here one day and gone the next. The same risk exists with cloud accounting vendors. It is important to have a contingency plan.

You don't have internet access: Cloud accounting vendors are accessible anywhere and anytime, assuming that you have a connection to the Internet. If you find yourself without internet access, you will not have access to your accounting data.

Security breach: Cloud accounting software and your data both live on the Internet. There is a risk that someone could gain access to your data.

What's next?

We are just beginning to see the impact of cloud accounting applications. It will take time to determine if they will be the next major paradigm shift in the world of accounting. There is so much more to learn about these products and their impact on the small business community.

You've decided that now is the time to learn more. When you google "cloud accounting," you are overwhelmed. Your search yields over 300,000 results. How do you make sense of all the noise?

I have researched this topic and have found more than 50 vendors claiming to have a cloud accounting solution. It seems that new vendors appear every few months. This indicates to me that we are in the early stage of the product life cycle and will see more vendors enter the cloud accounting market.

The goal of the next installment in the blog series will be to help you clear up the confusion surrounding cloud accounting and to look at some of the vendors and their products. The next posting will also include a discussion of hosted solutions and a new category of cloud accounting products.

Stay tuned!

Cloud Accounting: A Closer Look

<http://www.ncacpa.org/cloud-accounting-closer-look/>

By: Barry MacQuarrie
Blog Series: Post 3 of 4

Cloud Accounting

There is not room enough in this publication to cover all of the details of the 50 plus products that are available. This article includes details about several of the products that you might see at an accounting conference, or read about in an accounting publication. The following products appear in alphabetical order.

Intacct offers a full suite of accounting products that serve customers, ranging from small businesses to multinational organizations. It serves several different industries including accounting firms, faith-based organizations, franchises, healthcare, non-profits, and service organizations. Intacct has partnered with CPA2BIZ, to offer an

Accountants Edition, which can be used as a cloud solution for accounting firms and their clients.

Kashoo refers to itself as “simple cloud accounting.” It is looking for customers that want to replace QuickBooks, Excel spreadsheets, and shoeboxes full of receipts – i.e. small businesses. Its product includes a dashboard that provides an overview of your financial results and quick access to invoicing and data entry screens. It encourages accountants and bookkeepers to join its MVP program, which includes dedicated support and training.

NetSuite offers “one cloud solution for your entire business.” Its product includes Accounting/ERP, CRM, PSA, and e-commerce components. NetSuite (NYSE: N) was founded in 1998, and was originally known as NetLedger. There are a number of third-party solutions for NetSuite. The company has an accountants program that allows accountants to support their customers using NetSuite. This program also includes training and referral opportunities.

QuickBooks Online is the cloud version of the very popular accounting product from Intuit. This product provides small business owners and accountants with the ability to collaborate online. It is positioned to serve small businesses and offers import tools to convert data from the desktop version of QuickBooks. The Intuit website offers a chart which allows you to compare the features of the desktop and online versions of QuickBooks. The QuickBooks ProAdvisor program provides accountants with free software, training, and certification on the QuickBooks products.

Wave is focused on serving businesses with nine or fewer employees. Its solution includes modules for invoicing, accounting, payroll, and personal finance. Price is one thing that differentiates Wave from its competitors, as it offers many of its modules for free – a price that is obviously attractive to most small businesses! The Wave Pro Network seeks to connect accountants and bookkeepers to small business owners.

Xero offers a cloud accounting solution that includes invoicing, bill pay, expense claims, multi-currency, financial reporting, depreciation, and more. The product includes a dashboard that can be used by accounting professionals to access their clients’ accounting records. There are third-party applications, which offer solutions for CRM, inventory management, e-commerce, and many others. The Xero Partner Program provides accounting professionals with training, software marketing leads, and support.

Cloud Accounting Functions & Features

<http://www.ncacpa.org/cloud-accounting-functions-features/>

By: Barry MacQuarrie

Post 4 of 4 – This concludes our blog series from Barry!

Hosted Accounting Software

The vendors included above offer their products using the “Software as a Service” (SaaS) model. The vendor maintains its software on its servers; and allows customers to access it using a web browser. Facebook, Gmail, and LinkedIn are examples of popular applications that also use the SaaS model.

There is another option for delivering accounting software via the Internet. Some vendors are offering accounting products in a hosted environment. In this model, your accounting software and your data run on a remote server and you are allowed access to it via a remote desktop connection.

This model offers some of the benefits of SaaS products (e.g. anytime, anywhere access), without requiring that you change accounting products.

There are numerous advantages and disadvantages of both the SaaS and hosted models. The decision to move to a hosted or SaaS model requires careful consideration and a review of the costs, risks and benefits.

Invoicing & Bill Payment

Any review of cloud accounting software is not complete without the mention of a new category of vendors. The SaaS, or cloud model, has allowed vendors to build accounting related products that serve very specific needs of a business. One example of this is products that allow businesses to create invoices, process accounts payable transactions, and manage cash flow using ACH transfers and credit card payments. Here’s a look at two vendors that offer this type of a solution:

Bill.com offers cloud-based accounts payable, accounts receivable, and cash flow management. Its accounts payable module includes approval tracking, document management, and automated bill payment. Bill.com has built integration features with accounting software such as Intacct, NetSuite, QuickBooks, Sage, and Xero. The company has teamed up with CPA2BIZ to offer its accountants program.

FreshBooks is a cloud accounting solution that includes time tracking, invoicing, estimating, expense capture, and cash collections. There are third-party vendors offering integrated solutions, which include project management, CRM, accounting,

expense reporting, marketing, and time tracking. Accountants can join the FreshBooks Accountant Network to receive training, certification, and marketing collateral.

The Story Continues

The world of cloud accounting can seem overwhelming. It is constantly changing with the introduction of new features, the arrival of new vendors, and the addition of new mobile apps. It's a world that includes new terminology, risks, and rewards.

It can also be a very exciting place! The cloud accounting vendors are bringing fresh ideas and a lot of excitement to the accounting profession. They are constantly innovating and providing accountants with solutions that help make them more valuable to their clients.

The cloud is putting some of the fun back into accounting!

Barry MacQuarrie, CPA, is a Consultant and the Director of Technology at KAF Financial Group. Barry combines his knowledge of accounting and technology to provide consulting services focused on cloud accounting solutions. His areas of expertise include accounting software, process improvement and technology management.