

Cloud Accounting As New Business Model

Abstract

Cloud accounting has evolved as a new business model which is based on cloud computing technique. It is perfect for startups, new entrepreneurs and small business. Cloud computing is one of the most pioneering IT tools used as a new business model. This new business model has been incorporated by various business entities brought during the last decade. It promises to intensify the pace with which applications are installed, lower costs, increase innovation and at the same time increasing business agility. The accounting sector has continuously adapted to the new innovation in technology and the requirement for real-time overview of a business has found an ally in cloud-based technologies. Consequently, the cloud accounting technology has emerged as a new business model in such a challenging field. The paper highlights the worthiness, privacy and security risk associated with cloud accounting solutions in a constantly changing environment has been discussed.

Keywords: Cloud Accounting, Cloud Technology, Economic Entities, Cloud Computing, Accounting, Accounting Sector, Traditional Accounting

Introduction

While we are moving ahead into the 21st century, existing technologies certainly transform or converge, and even if we cannot accurately predict the future, we realize that all changes require the ability to adapt and to consciously progress. Businesses always run with the aim of making profit and maximizing shareholders' value. The pursuance of this has changed businesses from one form of records keeping to the other form of keeping record. From manual accounting to computerized accounting, a lot of packages with diverse costs and benefits have been exploited by several businesses.

What is Cloud Accounting?

Cloud accounting applications make available much of the same functionality as desktop accounting software. Major difference is Cloud accounting apps which run on remote servers and are accessed via a web browser. It is similar to traditional, on-premises self-installed accounting software.

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

Hosted Applications

It involves our desktop or client or server accounting application running on a remote server. We gain access to our accounting software using a remote session by means of the Internet. This application allows us to use our existing software and data.

Software as a Service (SaaS)

In this format, the accounting software and our data are stored on the vendor's servers and are accessible through a web browser. If we have ever used a social media site or online banking, we have used a SaaS solution.

Review of Literature

Kobis (2013), in his study, among the opportunities and benefits for companies in the Cloud Computing implementation lists advantage relating primarily to companies that only build their infrastructure. For companies that already have their own IT infrastructure. Software manufacturers argue that traditional infrastructure companies is used to a small extent between 15 and 20%. In contrast, cloud is a solution that maximizes the use of resources, increasing it up to 90 percent. When you move to a cloud computing infrastructure, the responsibility for ensuring access to services is on the supply side. This enables a significant reduction in IT staff.



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Kepes (2011) states that in order to truly understand how cloud computing can be of worth to an organization, it is first important to understand what it really means, and its different components.

Mario (2009) pointed out that there are at least twenty two different cloud definitions in common use. Plummer, Bittman, Austin, Cearley and Smith, (2008) define cloud computing as "a style of computing where massively scalable IT-enabled capabilities are delivered as a service to external customers using internet technologies." Forester says cloud computing is a pool of abstracted, highly scalable, and managed computer infrastructure capable of hosting end customer applications and billed by consumption. NIST (2011) defines cloud computing as a model for enabling convenient, on-demand network access to a shared pool of configurable computing resources e.g., networks, servers, storage, applications, and services that can be rapidly provisioned and released with minimal management effort or service provider interaction.

Objectives of the paper

1. To assess the need and importance of Cloud Accounting in Business.
2. To evaluate the use of Cloud Accounting in Business organization
3. To highlight the privacy and security risk associated with Cloud Accounting.

Research Methodology

The study is based on analysis of current literature concerning the application of cloud computing on the business in general. The information used in this paper are collected from various articles, accounting regulatory body issues and regulations, reports and case studies issued by the leading cloud service providers in the current market, Government issues etc.

Difference between Cloud Accounting and Traditional Accounting Software

Cloud Accounting Software	Traditional Accounting Software
This software uses cloud for storing the data.	This software uses local hard disk storing the data.
Less chances of error in data entry due to automation.	Prone to human errors in data entry task.
Cost effective and more efficient	Costlier than cloud accounting
Automatically back up the data and therefore more secure	Back up of data is not automatic ,so less secure

Benefits of Cloud Accounting

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

Anytime, Anywhere Access

Our accounting software and operating results are available to from a browser or mobile device. This is something that we can't do with today's desktop accounting solutions.

Real Time Reporting and Visibility

It is very easy to get real time access to reporting and visibility in our organization to have greater capabilities and collaborations.

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. Our 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 we 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.

Threats of Cloud Accounting

The world of cloud accounting is not without threat. 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.

Unavailability of Internet Access

Cloud accounting vendors are accessible from anywhere and anytime assuming that we have a connection to the Internet, without internet access, we will not be able to access to your accounting data.

Security Breach

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

Future of cloud Accounting

Recently there has been a lot of discussion regarding cloud accounting and its storage. We are just in beginning to see the impact of cloud accounting applications. It will take time to determine if they will be the next major paradigm swing in the world of accounting. There is much more to learn about these products and their impact on the small business community. In future this new concept will lower the infrastructure cost which will diversify the users need to multiple platforms.

Cloud-based Accounting Software Promise

Cloud based accounting has brought a digital revolution in accounting and business world. Organizations are surely becoming more comfortable with cloud solutions and recognize their worth as efficient tools for saving time and money. According to a 2014 global report on software quality assurance, cloud-based software is more and more popular and this trend will clearly go on in the foreseeable future.

The research shows that cloud migration is gaining momentum as 28% of applications are hosted in a cloud infrastructure in 2014, and the share of cloud-based systems is expected to go up to 35% by 2017. Taking into account the fact that the accounting department of every organization is a valuable adviser, it is crucial for accountants to keep up with technology trends.

Cloud accounting is the new economic player that has been planned for the accounting and business field. This pioneering tool will boost the accountants' activity and it will ensure numerous benefits for all business, but for the accounting function, in particular and of course, the 21st century accountant's prospect are directly dependant on the highly dynamic economic reality and context.

In the present time, business organizations and accountants are demanding personalized cloud-based applications that help them to handle competition, which is only at a click away. Companies from all over the world are knowingly shifting from their traditional reactive way of doing business to a proactive and collaborative approach.

A cloud-based accounting can be a prudent choice for businesses dealing with issues like managing substantial costs that burden their activity. The fact that the cloud application is accessed as a service and it is not bought as a product, will have a great impact on the company's expenses. With flexible cloud-based software, businesses can easily scale up and down rapidly adapt the ever-changing economic context.

Unquestionably, cloud accounting can be a successful option on condition that this solution is carefully evaluated before adopting. Because the cloud accounting market is very wide, business firms have the opportunity to choose the best-suited solution to meet their specific activities and goals.

According to experts, for ensuring a successful accounting software selection procedure, business firms should first set up the firm's requirements and needs and later on, select potential cloud accounting solution. This is the approach to enhance the probability to find the proper cloud accounting solution for each organization. These are applicable for the accounting profession, which is distinctively placed as a valued counselor for every organization. Accountants have brought forward some risks that could be associated with cloud technology.

Though, by staying learned about IT innovations as well as latest technologies as they come up, accounting professionals can facilitate the businesses to grow and develop as well as take full advantage of the benefits provided by the digital revolution. We have to think much more better and remain updated if we want to experience a better solution to our accounting and business problems. Thus, cloud accounting will be the next step in the development of the accounting practice. Under cloud accounting, information is not stored at particular location, it can be accessed from anywhere at any time. The cloud accounting is in just development stage. We are yet to see its maturity stage. Many organizations are adopting this technology. In future

we will realize that all businesses have to use cloud based accounting to survive in fast moving global market.

Conclusions

The new era of cloud based accounting has been on track. We will experience much more developments in years to come. It has proved to be a world class technology. It has revolutionized the way of accounting for businesses. It has improved the quality of accounting and has greatly influenced the trade and industry sector. Latest business model has been significantly marked by the cloud accounting paradigm and every sector of business has established a mean to benefit from its applications. The accounting practice is steadily shifting towards cloud-based solutions. Emergence of cloud accounting has established to be a new approach of doing business. This radical approach to bookkeeping is very capable as there are numerous benefits that accountants have experienced due to cloud computing. It not only help to increase the efficiency of business but also acted as a measurable and visible influence on much sought changes in business models in entirety.

Limitation of the Study

In India, concept of Cloud Accounting is in emerging stage therefore there is a shortage of literature review as only few studies have been done. Only large business organization has adopted this accounting technique and their numbers are few due to its high installation cost. Due to this there is lack of data, there is no way to statistically analyze the result.

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