
Cloud Accounting Software: Types And Methods

Executive Summary

The purpose of this report is to see whether the firm would be better off switching to cloud accounting software instead of staying with the traditional accounting methods. It includes a comparison of both cloud and traditional software and various cloud options. Different research was done to find out which accounting software was the better of the two. Different types of cloud accounting software were researched online to find out about what they included and prices. SWOT analysis was also done on both cloud accounting software and traditional accounting methods.

Introduction

A report has been requested by Martin Moir, Chief Accountant at North East Scotland Financial on Cloud Accounting and whether the firm would be better off switching to Cloud Accounting software instead of the traditional accounting software. This report includes a comparison between the two types of software and a comparison between the different Cloud options. A recommendation will be included on whether the firm should:

- (a) approve and use the Cloud Accounting Software
- (b) the reasons behind the recommendation if approved.

The report comprises of the following research methods:

- Internet research was conducted to find out more about Cloud Accounting and traditional accounting methods
- Different types of Cloud Accounting software were researched on the internet
- SWOT Analysis on both Cloud Accounting Software and traditional accounting methods.

Conclusions and recommendations will be made on which type of software the firm should choose.

Findings

The research found on Cloud Accounting and traditional accounting software revealed the following:

Cloud accounting software

Cloud accounting software can be accessed from anywhere if an internet connection is provided to log in to the accounts. It allows accounting teams to access each other's documents and files, with them all being in the one place. Costs are usually monthly or annually and this includes as much storage as needed. It also provides automatic software updates.

Traditional accounting software

This software needs a company to have a hard drive where the software is installed, and data is recorded on it. The user accesses their data through an app on their desktop, which can not be accessed from any other device, which restricts a person's mobility. Companies are responsible for maintaining the servers and increasing their own storage capacity with investing in new servers. Software needs to be updated manually too. It is very secure as companies have control over who access their financial data.

2.2 The research on cloud accounting providers revealed that:

Xero

Xero offers a wide range of accounting features including invoicing, payroll, financial statements etc. Tasks are done in an automated style. There is an app available to smartphone users. There are different packages available to choose from depending on the type of business you have.

The standard package costs £22 per month which includes sending invoices and quotes, entering bills, reconciling bank transactions and submitting VAT to HMRC. It only handles one currency. It offers optional extras, which includes payroll which is free for the first three months and then £5 per month after that for up to 5 employees. Every employee after that adds an additional £1 onto the package.

The premium package costs £27.50 per month which includes sending invoices and quotes, entering bills, reconciling bank transactions and submitting VAT to HMRC. It can handle multiple currencies. It also offers the same optional extras as the standard package at the same prices.

2.2.2 QuickBooks

QuickBooks offers a program which businesses can use to manage sales and expenses and keep track of day to day transactions. It can be used for invoices, paying bills, reports, tax filing etc. QuickBooks offers a free 30-day trial of a fully functional version of the software. It is used to generate month and year end financial reports. There are different packages available to choose from depending on the type of business you have and what features you need.

The essential package costs £18 per month and it includes sending unlimited invoices on the go, storing receipts, managing bills and payments, calculating and filing tax. It is available for 3 users, can support multiple currencies and track employee time. There is also a free mobile app for on the go management of finances.

The plus package costs £27 per month and it includes all the same features as the essentials package with some added on extras. Some of these include a feature that can create budgets and purchase orders, manage stock and track costs by project, location or budget. It is also available for 5 users.

There is also a package for the self-employed, this costs £8 per month. This package includes sending invoices on the go, storing receipts, downloading bank transactions, estimating tax payments, sorting business and personal transactions, tracking mileage automatically and it is

available for 1 user.

Sage 50

Sage accounting systems are computerised packages that have several different features to process a company's finances. The system collects data, classifies it and then summarises it to let the user see their financial information in a simple way. Sage systems can print out invoices, updating customer and supplier records, making payments, automatic update of the general ledger, valuation of stock, VAT returns etc.

The standard package costs £60 per month plus VAT and is available for one user to use and up to two companies. For an extra £20 per month this package can be upgraded to ten users and up to ten companies. It can manage cash flow, income and payments, create invoices and quotes, connect to your bank, manage VAT, cloud access and backup, track and manage stock, manage multiple departments and budgets.

The professional package costs £125 per month plus VAT and is available for one user and up to ten companies. For an extra £55 per month, this package can be upgraded to 20 users and an unlimited amount of companies. This package does everything that the standard package does and also can track income, expenses and profit, it can create sales and purchase orders and can trade in multiple currencies.

SWOT Analysis on both cloud accounting software and traditional accounting methods

Cloud Accounting Software

Strengths Weaknesses

- Easy access 1. Internet access needed
- Costs are low 2. Data security
- Easy use 3. Limitations in security
- High data storage
- Easy transfer of data
- Easy backup

Opportunities Threats

- Mobile apps 1. Data Protection
- Growth in cloud services

Traditional Accounting Methods

Strengths Weaknesses

- System errors 1. Hard copies
- Access is quick 2. Costs are high
- Easily understood 3. Labour intensive

Opportunities Threats

- Internet access not required 1. Data can be lost
- Business own the software

Conclusions

Cloud Accounting Software

Since it can be accessed from anywhere, it is helpful for doing accounts on the go when travelling for business or otherwise. However, since internet access is needed, it makes it hard for businesses to access accounts if the internet is down. Updates are done automatically therefore the business do not have to do it themselves. Costs are split over the monthly or yearly basis therefore costs are usually not too high, allowing the business to spend money on other costs.

Traditional Accounting Methods

All the data is stored on a hard drive therefore if the hard drive is lost or destroyed then there is no backup. The data can only be accessed through an app on desktop, so the accountant's mobility is restricted which makes it harder for on the go accounting. Since the company must increase their own storage, costs will increase the more space needed and they also must update software manually which increases labour time. The companies have control over who accesses their financial data therefore very unlikely that there would be a breach of security.

Xero

The costs of both these packages are of a reasonable price, however if the company deals with international businesses then the standard package is not good enough as it does not deal with multiple currencies, but the premium package does. Xero also gives the option of increasing the package to more employees therefore it gives the option to companies to have more than one employee working on accounts. The app available for smartphone users is useful for on the go updating of data.

QuickBooks

The costs for these packages are also of reasonable price, with the most advanced package costing only and extra £9 per month which is not steep. QuickBooks is good as it also offers a 30-day free trial so if after the 30 days a company is not fully satisfied with the service, it does not have to go along with this accounting software. It also has a free mobile app for on the go management of finances which is great for a company's mobility. The self-employed package is at a great price and includes the essentials for a self-employed person.

Sage 50

The cost of the Sage 50 packages are very expensive monthly, starting at £60 per month and going as high as £180 per month. Although these packages are quite expensive they do a variety of different tasks and can be made available for up to ten employees and up to ten

companies for added cost to the standard packages, which is very useful for bigger companies who manage various companies and employ more than just one employee. The professional package which costs £125 per month is essential for companies who deal with clients who have international customers and suppliers as they would need to deal with multiple currencies. This is a great tool to have however it does add quite a huge cost on to the package.

Recommendations

It is recommended that the company go with cloud accounting software instead of traditional accounting software as with cloud software it works out cheaper, is easy to use, has high data storage and can be accessed from anywhere in the world if an internet connection is provided. Overall cloud accounting has more advantages as it is more modern and more on course with new technology as all companies nowadays need more mobility when it comes to management of finances.

The recommendation is that the company goes with the plus package from QuickBooks for £27 per month, as it includes sending invoices, storing receipts, managing bills and payments, calculating and filing tax, can store multiple currencies, track employee time, create budgets and purchase orders, manage stock and track costs by project, location or budget. It also provides a free mobile app for on the go management of finances. The plus package is available for five employees which is essential for companies with multiple clients and employees. The 30-day free trial with QuickBooks therefore if the company is not 100% satisfied with the software after this trial they are not tied in to the package.