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Accounting in the cloud

Luke Telford | December 08, 2010

While cloud computing was one of 2010's big buzzwords, much of the hype simply boiled down to more businesses using Google Apps.

It is true that some cloud functions really have come into their own this year, though, and accounting software appears to be one of them.

"It's reached quite a peak in the past year," says Janna Fikh, principal at Fletcher Tax Accountants. She cites the un-user-friendliness of existing accounting solutions as one of the catalysts for the shift.

"I personally love MYOB, but then again I've been trained on it," says Fikh.

"For small business owners who have no accounting background or knowledge and who don't have a crash course in MYOB, they do find it a bit stringent, and quite intimidating and scary. Once they've had a week in, they make more mistakes than anything, and they get a bit scared. And then the record keeping goes completely out the window, and accountants like me aren't very happy with that. And neither are they, because they don't know where they stand."

Business owners that find MYOB too difficult or intimidating are probably investigating simpler software like Xero and Saasu.

"They're just easier to deal with," says Fikh. "The interface is quite simple, it's not clunky, it's quite easy to reverse errors should there be any."

Promotional materials company 4promote is now into its second financial year using cloud-based accounting software, and managing director Matthew Bywater swears by it.

The company shifted from MYOB in June last year, as part of a broader move to get all of its operations into the cloud. The primary reason for this change was that Bywater and colleagues were sick of having to depend on traditional software to run their business.

"We're a small business, so we don't have an IT department. We contract that out. So every time something jams up, and it's usually software, we need to get help, and it was either a help-desk from MYOB or an IT person coming in," explains Bywater.

"It's just one of those things that's not core for us, we don't want to be spending time on it… [The change] has freed up lots of time. That's why we moved everything into the cloud," he continues.

"Now, worst-case scenario, a computer hard-drive goes. We just get a new computer and, apart from Adobe Illustrator, we're up and running again in 10 minutes. It's a really simple way of running a business."

As with all cloud software, one of the greatest appeals of taking accounting into the cloud is that it lets businesses dispense with screeds of bulky files – both physical and digital. Bywater has found that this makes it much simpler to communicate with whoever manages the company's accounts. He does note that their accountant was hesitant to take the new software on at first, though.

"We'd heard this would happen – a lot of accountants are very much pro-Quick and pro-MYOB because they know it. But now we've been using it, they actually like it, because we run a question past them, and instead of trying to tell us how to do it, they can show us."

Fletcher's Fikh also finds cloud-based software a relief when it comes to actually communicating wth clients.

"From an accountant's perspective, the fact that we don't have to send big files over the gateways is fantastic," says Fikh. "Firstly, the client never knows which file to send or how to back up the file. We constantly clog up our inboxes with these enormous files and it's never the right file, so it just ends up going backwards and forwards instead of actually working with the data."

The other major drawcard for the accountant and their client is the fact that cloud software lets both work in real time directly with live data.

"You've got the data, you can both look at the same screen from different countries, from different locations without having to sit side by side," says Fikh.

"That said, it might be a bit scary for some people, because employees will just go in and edit your data. But the good thing about most cloud software is you can attach authorities to different people," she explains.

"For example, an accountant's authority could be unlimited and the owner's authority can be unlimited, whereas an employee's authority might be restricted to only drafting invoices, or only creating a copy of something, but not actually changing actual journals or entries. It's a safety mechanism."

The only real issue involved is managing the transition from more traditional software into the cloud. 4Promote's Bywater suggests that it's best not to expect a perfect integration between the two, and to prepare for some discrepancies in the transition.

"We obviously did the right thing, and kept MYOB running for about three months afterwards. We kept a log of everything. When we imported the old data, we didn't actually go back and do any historical data," he says. "July 1 started as day one, but we did include all outstanding invoices and orders. Just that transition of the old stuff coming into the new was something to be careful of."

Another thing that Bywater found particularly useful in the transition from traditional to cloud accounting is that the software company he chose were actually quite open to developing tailored solutions to problems he encountered.

"We needed a report written to do with accounts payable which had some formatting things we didn't like in the mechanism. So we approached SAASU, and they'll say something like "for x amount we can build it, but we'll charge a fifth of that if you let us build it for you, and allow everyone else to have it, which is quite something," he says.

Fikh agrees that the biggest issues are likely to arise during the change from one to the other, and confirms that the way many businesses approach the issues that can arise from a transition is to draw a line in the sand between old and new data.

"If the business is quite old in terms of duration, it might be a bit of a problem moving the files, or converting the file from traditional software like MYOB Quickbooks to Saasu for example. You might not be able to transfer the history of each individual transaction easily. There are service providers that do that for a fee, so you can do that, or you get used to the fact that pre-a certain date, you go by the old records, and going forward, everything's online."

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