STEWART ACCOUNTING SERVICES
Chartered Accountants

Advantages of Cloud Accounting

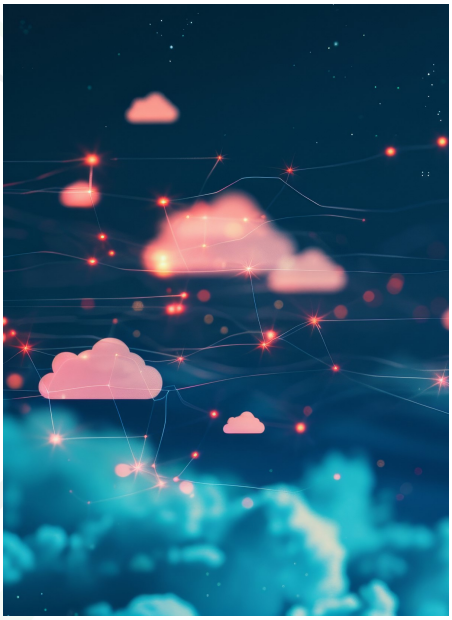
When accounting software was first introduced the actual program was located on your computer (PC or server) hard drive. Consequently, it was necessary to:

- Maintain an appropriate level of security
- Make sure you subscribed to program updates, and uploaded them to your hard drive, and
- Undertake frequent backups of your accounting data.

With advances in internet security it soon became clear that a much more effective way to provide accounting software solutions was to make it accessible from a server managed by the software provider; with advisers and business owners being able to access their accounting information online.

At a stroke, maintaining locally based security, updates and backups became redundant as all these functions could be managed by the software providers.

The main advantages



For the end-user, cloud accounting solutions provide two significant benefits:

- Users can access their accounts data from any device that has internet access, and
- Users from different organisations can login to the same application if granted appropriate login permissions and see the same information in real time.

Many of the more sophisticated cloud accounting providers have developed an APP that users can download and access on their phones and other hand-held devices. This enables them to monitor their bank accounts, create sales invoices and a multitude of other accounting tasks while away from their base of operation. Tradespersons, for example, can create and email an invoice to a customer while sitting in their van – all they need is internet access.

Many cloud accounting solutions also allow you to set up access for multiple users. Staff can use their login protocols to access software from multiple locations making the update of software a real-time experience.

More importantly, your professional adviser can login from their office to keep an eye on your profitability and solvency. They can also adjust figures and help you sort out issues without leaving their office; a much more effective and efficient way to keep your accounts information accurate.

Other advantages

There are numerous accounting advantages to the use of cloud software apart from accessibility. Users can:

- View and review periodic management accounts – keeping an eye on profitability and net worth. These accounts are usually available as a standard feature.
- Manage credit control – issue statements to customers as required and at the click of a mouse.
- Reconcile bank accounts – most cloud solutions link your accounts software to your bank. This enables you to match individual transactions to sales and purchase accounts or allocate payments to a specific cost code.
- Set up budgets for your business – this helps you keep an eye on actual performance compared to expected performance and remedy adverse trends quickly.
- Payroll add-ons – many accounts software applications have payroll packages that can be integrated. They deal with all the requirements of HMRC's Real Time Reporting obligations and seamlessly add the payroll data to your accounts.
- VAT real-time filing – most cloud systems incorporate real-time filing of your VAT return in accordance with the Making Tax Digital regulations.

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Scalability

Another major advantage of using reputable cloud accounting software is scalability.

When you first start out in business it may be a part-time venture, no staff, no need to register for VAT and no credit offered to customers. Accordingly, start-ups of this type may only need the ability to record income and expenditure and have one bank account to manage.

Compare this situation with a company that is very definitely a full-time venture with numerous staff, registered for VAT and needing regular accounting reports. Their accounting needs will be far more complex.

Which is why most cloud accounting solutions offer basic and more complex plans to accommodate these differences.

As the charges are linked to the features you buy into, you can start with basic, but limited functionality at base cost, and upgrade to more features and benefits as the needs arise. Obviously the more features you need, the higher the cost.

What is the cost?

Considering the benefits, the monthly cost of using cloud accounting software is relatively inexpensive. Basic packages can start from as little as £10 per month for starter licences and scale upwards of £100 a month for more integrated packages.

How difficult is it to transfer existing records to cloud software?

The best way to manage this process is to transfer data at the beginning of an accounting year. If this is not possible then definitely wait until the end of your present VAT quarter (if you are registered for VAT).

You will need to transfer in opening balances owed by and to debtors and creditors, and an up-to-date trial balance. This is a chore best left to your accountant.

You will also need to backup your old accounting records – if kept on spreadsheets for example.

Which software product should you use?

There are a multitude of companies that provide cloud accounting software. To some extent it's best to match your specific requirements to the best fit solution. We recommend software that has a proven track record and that is best suited to your accounting needs.

If you presently use spreadsheets or manual records to manage your business and are keen to see what a cloud solution could offer, please call us so that we can determine what you need and match this to the best product available.

Summary action list

- Work out what it is you want to achieve and make sure that the software will provide this.
- Identify the benefits.
- Don't necessarily settle on the cheapest solution.
- Be clear about the tasks you will have to undertake before transferring existing data.
- Don't be hasty. Take your time. If possible speak with other users of the software to gauge how effective it is.
- Take advice, we can help you consider your options.

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