



What is cloud accounting?

• Jonathan Myers

**The essential guide
if you're thinking
of making the switch.**

Written by

Jonathan Myers

Editor

Text Effect

Designer

Noir

First published June 2015 by:

Jonathan Myers

Urquhart Warner Myers

European House

93 Wellington Road

Leeds

LS12 1DZ

©Jonathan Myers 2015 All rights reserved.

No part of this publication may be reproduced, stored in a retrieval system or transmitted in any form or by any means, electronic, mechanical, photocopying, recording or otherwise without the prior permission of the author.

D E D I C A T I O N

To my Dad, who we lost during the writing of this book, and
my Mum who left us too early.

Foreword



In the twenty or so years since we first set eyes on the World Wide Web, the way we now do business in this era of the modern web and mobile devices is becoming increasingly unrecognisable from what came before. And as seemingly revolutionary as the first waves of personal computing and the early years of the internet were back then, it's now apparent that they were simply a necessary and rather more evolutionary bridge to the hyper-connected world of apps, devices and cloud services we see blossoming so quickly today.

Barely ten years ago, never mind twenty, if you'd mentioned that a mobile phone camera would become a fundamental element of your bookkeeping workflow, most people would have thought you rather odd. And this increasingly commonplace notion of interconnecting people, devices, apps and business software all together in the cloud is fast becoming the new normal for hundreds of thousands of businesses in the UK.

However, as alluring all this wonder may seem we still need to take care to plot the correct course to this new world, to manage the change and to prepare and train our people. This guide is a great starting point for any business starting out on that journey.

Gary Turner

Managing Director, Xero UK

About The Author



Jonathan Myers is a Director of Urquhart Warner Myers, Xero Gold Partners in Leeds. Having embraced the Cloud, they are Receipt Bank and Crunchboards partners.

Jonathan spends his time getting involved in reviewing and discussing client's accounts, tax planning, business plans and helping to improve business profits. He helps clients establish their business and personal goals and finds ways for them to achieve these goals.

If you want to look at improving your business, he can take you through an SSTW session (That's Simple Stuff That Works as opposed to CSTD.... *Complicated Stuff That Doesn't!*), help you with The Numbers an 8-step Performance Measurement & Improvement System or run a GoalGetter Day with you so you can see how to get to where you're going.

As a Xero Certified Advisor, he introduces clients to the wonderfully simple world of Cloud Accounting where they can save time and money and increase efficiency.

When he's not working, he can usually be found on holiday, somewhere in the USA.

Contents

08

SECTION 1:

WHAT IS THE CLOUD AND SHOULD I SWITCH TO IT?

- 09 CLOUD ACCOUNTING MYTHS DISPELLED
- 09 WHAT IS THE CLOUD?
- 11 WHAT IS THE DIFFERENCE BETWEEN DESKTOP AND CLOUD ACCOUNTING SOFTWARE?
- 13 WHY SHOULD I CHANGE TO CLOUD SOFTWARE?

15

SECTION 2:

WHAT ARE THE KEY BENEFITS OF CLOUD ACCOUNTING?

- 16 WHAT BENEFITS WILL I GET?
- 18 IS MY DATA SAFE?

20

SECTION 3:

WHAT DO I NEED TO SET UP CLOUD ACCOUNTING?

- 21 HOW DO I SET IT ALL UP?
- 22 WHAT COMPUTER DO I NEED?

23

SECTION 4:

HOW DO I GET STARTED?

- 24 KEY BENEFITS
- 25 INITIAL DECISIONS
- 26 IMPLEMENTATION
- 27 WE'RE HERE TO HELP

Introduction



For a lot of small businesses there is a lack of understanding about Cloud technology. *What is it? What can it do? What are the benefits of using Cloud technology?* This book has been written to answer these questions and more, and to help small and medium-sized business owners who don't have their own in-house IT experts.

Cloud Computing and Cloud Accounting have become very popular over the last few years. Some businesses have totally embraced the Cloud and have benefited from the many solutions on a daily basis. Other businesses find themselves very much left out in the cold and are wondering what all of the Cloud fuss is about.

I have been an Accountant in practice for more than 30 years. During that time, I have helped hundreds – if not thousands – of businesses improve not only their record keeping, but to implement systems to help their businesses grow. Over the course of that period, I have seen numerous evolutions in technology; both computer technology in general and accounting technology in particular.

The most significant evolution has been the development of the Cloud. Where businesses would historically record all transactions manually in a paper book, we now see businesses that can record transactions electronically as they happen and have access to more up-to-date, meaningful information. This information enables business owners to make more calculated decisions than they ever could in the past.

The Cloud makes things easier, faster, more secure and more flexible. Read on and you will find out just how much it could transform the way that YOU work.

SEC- TION ONE

**What is the Cloud
and should I
switch to it?**

Cloud Accounting Myths Dispelled

Any new technology divides people into two camps: those who embrace it enthusiastically because it is new and exciting, and those who instinctively distrust anything new. However, the Cloud isn't new; it's tried and tested, well-established. And most, if not all, of the criticism that you may hear is myth. So, let's start by dispelling the three most common myths:

1) “THE CLOUD IS LESS SECURE THAN TRADITIONAL DESKTOP ACCOUNTING SOFTWARE.”

Wrong: your data is actually more secure in the Cloud than it is on your desktop computer, as we will see later on in this book.

2) “THE WRONG PEOPLE WILL HAVE ACCESS TO YOUR DATA.”

Wrong: the features in Cloud Accounting make it more difficult for the wrong people to access your data.

3) “MIGRATING DATA IS COMPLEX.”

Wrong: if you handle data on multiple software systems – for example, receiving it from one software system and needing to migrate or store it in another – Cloud Accounting software makes it simple and easy.

These three benefits alone should already be selling the Cloud to you, and we'll look in detail at each of these and more presently; but first – what is the Cloud?

What Is The Cloud?

The 'Cloud' is a generic term for internet-based computer working. It's called the 'Cloud' because the nuts and bolts of it are *remote* – they exist on sophisticated and secure computer servers to which you connect via the internet. The Cloud

has two essential dimensions – storage and software – and these work in a fully integrated way to give you all the computing power and versatility that you need, as well as superior data security.

Storage: The Cloud is a place where you store things. Every Cloud user has their own section of the Cloud (think of it as your own private storage unit) which they access using the internet. You can store files, web pages emails, photos, records – anything you might normally access or retrieve via the internet.

Software: The Cloud also functions as a remote computer. You're used to working on your office PC or Mac, which has all the necessary programs and software loaded directly onto it (or onto your office's central network). With the Cloud, all these different programs are actually located and integrated up in the Cloud, along with your data. You still access those programs in the same way, via your PC (or your tablet or even Smartphone (see 'What computer do I need?')), but the actual software that controls your emails, financial records, bookkeeping, etc is in the Cloud.

MOST OF US USE CLOUD TECHNOLOGY EVERY DAY, BUT OFTEN WITHOUT REALISING

Take banking; in the traditional model of high street banking, we walk into a branch, go up to a counter and do our banking there in person. With internet banking, we log onto our bank's website and we have access to all our account details and transactions; we can make payments, transfer money and cancel payments. So where is all this data? The bank is actually storing our data in the Cloud, and we're using Cloud software (via the bank's internet site) to access and work with our data.

Another illustration is the way that Smartphones and tablets have evolved. In the early days of home computers, we needed to be in front of our *own* computer to access our emails; the vital links and programs were physically contained within the computers themselves. Today we can run a PC, a laptop, a Smartphone *and* a tablet – and we can access the same email accounts from them all. If we remember our log-in details, we can access our emails on *any* computer. How? Because the main software that runs it all isn't actually on these devices but in the Cloud. The technology in the devices simply allows us to access and work in the Cloud. Do you ever send or receive files via services like DropBox or

WeTransfer? These work in the same way too, transferring the file from your device to the Cloud and then letting the recipient pull it down to their own device from the same part of the Cloud.

So, the Cloud is like a giant computer which we work with via our own computers and other devices. When you next get a new Smartphone or Apple device, it will give you options to store photos automatically, or to back up files automatically. Where are they being stored and backed up? In the Cloud. And later, where are you seeing them and accessing them? In the Cloud.

What Is The Difference Between Desktop And Cloud Accounting Software

THE NON-CLOUD SYSTEM (DESKTOP SOFTWARE)

Non-Cloud or desktop computing means that a desktop computer is *physically loaded up* with accounting software (referred to as desktop software). In some environments, software may be loaded onto a file server somewhere on a computer network and this is accessible by computers on that network. This means that without additional software in place, you can only access your accounting software from within one physical environment – in most cases, the business's office premises.

There are other limitations too.

Desktop software is almost always *licensed* on the basis of one licence per user. This means that should your business grow and require more users, then the cost of maintaining the licensing of your software increases.

Data security is obviously paramount, and to this end a lot of business owners put in place what they think are robust back-up procedures. In reality, however, they rarely are. These back-up procedures often include copying the data to a USB stick, creating all kinds of issues: Who has the USB stick? Where is it kept? Is it secure? What happens if the data is lost from that USB stick? Some businesses back up the data to another part of the network, sometimes even onto the

same server – fine, until the server crashes. Sometimes the data is backed up onto tape drives that people will take home – another process that is open to risk.

Accessibility can be a problem. Some people may not have licences for the software, some people may not have access to the software at all times and they invariably will not always have the information they need.

Time lag is another problem with non-Cloud software. Say you work from a copy of the data, perhaps having taken the USB stick home. Unless your internal office communications are flawless, can you be sure that the data you are working from is the very latest version and has not been updated in the meantime?

THE CLOUD SYSTEM (CLOUD-BASED SOFTWARE)

The Cloud was designed to eliminate the typical issues faced by users of desktop software.

With Cloud software, your data is stored on the provider's servers; no data is stored locally. This means that you can *access your data* from any device anywhere, almost always through a web browser. You do not need any specific hardware; just a computer or tablet with a web browser. You can give access to your data to whoever you want, so they are able to access your data anytime, anywhere, on any device in the world.

Software prices are usually more straightforward; you do not always have to pay more money every time you increase the number of users.

Security of your data – one of the biggest concerns of new Cloud users – has been comprehensively configured to be stronger and more dependable than traditional desktop software systems – something we will examine shortly.

Why Should I Change To Cloud Software?

Think about how you currently manage your accounting records. You may be using accounting software, or perhaps you keep manual paper records. Ask yourself if you have any issues with the following aspects of your data management:

1) ACCESS TO YOUR DATA

Where is it kept? Do you need one specific PC to access it? Do you need always to be at the same location to access it? And if so, how often is this a nuisance? Cloud software frees you up from the physical location of your designated PC and lets you work from anywhere with an internet connection. How much difference would that make to your work?

2) SHARING YOUR DATA

Is your data available to everyone who wants it when they want it? Do you have logistical difficulties getting the right people in the right place to access the right data?

3) MAINTAINING YOUR BOOKKEEPING

Bookkeeping is time-consuming – generating paper or electronic invoices and statements, creating duplicates for your own records, filing every related communication and transaction record, etc. But with Cloud software, all this is both easier and faster. You replace labour-intensive and error-prone manual input with automatic data entry. You get additional time-saving automated features such as feeds that will directly push in bank transactions to your accounting software without any intervention from yourself. And by using a fully electronic/digital system, you save on paper, printing, envelopes and postage costs.

4) INTERROGATING AND USING YOUR DATA

Management accounting information has to be prepared promptly after the month or quarter end, or it becomes unhelpful historic information. Cloud

accounting, however, is always up to date; it's much easier to quickly prepare your management accounts or to review the particular management information that is relevant to your business and your circumstances. Cloud accounting systems can supply instant insight to any aspect of the financial records and transactions that it records for you or your client.

5) THE COSTS OF EFFICIENT BOOKKEEPING

Desktop software systems generate costs – additional costs for adding users, additional costs for updating the software, etc. And beyond accounting, you will have other systems to run different business applications – can these systems be linked together to work in an integrated way? When you buy or add a new computer, do you have to install new software? Cloud accounting removes all this worry and lets your business grow and evolve without incurring all this extra cost. With Cloud accounting, there are no updates to install, no software to install in the first place; everything is in the browser.

So, with obvious benefits to cost, adaptability and efficiency there are compelling reasons to consider changing over to Cloud accounting. But first we need to drill a little deeper and examine some tangible benefits – and show why security is better, not worse, when you work in the Cloud.



**The Cloud is like a giant
computer which we work
with via our own computers
and other devices.**

SEC- TION TWO

**What are the key
benefits of Cloud
Accounting?**

What Benefits Will I Get?

We saw in the previous chapter that Cloud computing removes many of the constraints of traditional desktop computer work. For accountants, Cloud accounting software can provide specific benefits that will reduce the amount of time that you spend maintaining your books, will improve your service to clients and will save you money along the way. Here are just some of these benefits:

BANK FEEDS AND CREDIT CARD FEEDS

These features allow you to automatically have transaction data pushed on a regular basis (usually daily) from your bank and from your credit card directly into your Cloud software. When you consider how much time you spend entering this information by hand, the time savings for an average business from this feature alone can be massive.

INVOICES AND RECEIPTS

As with your daily banking records, your invoices and receipts are processed electronically. Data from your purchase invoice and receipts ledgers are pushed into your Cloud software, once again freeing up time previously spent doing this work manually.

SALES INVOICES

If you are not already doing so, all your sales invoices can be emailed to customers. There is no need to store paper copies because the records in the Cloud are available at any time to review and print if needed.

CLIENT SUPPORT AND INTERACTION

Your data is always up to date, so there is never any need to tell a client you need time to collate and prepare materials for them. So, for example, if you are having a meeting with a customer, you can instantly pull down from the Cloud everything you need, from their current financial position to how much they owe and how much they spend. This means that you can prepare proposals much more efficiently and also invoice clients there and then.

NO SOFTWARE TO INSTALL – NO SOFTWARE PROBLEMS

The difficulties arising from software installation and operation become a thing of the past. Once you have an account with your Cloud provider, all the related software is maintained at their side, not yours. A reputable Cloud provider will always keep your systems running and available, even when they need to do their own systems updates or repairs – your business is too valuable to them to do otherwise.

THIRD-PARTY SOFTWARE

You may still have third-party software to manage other operations within the business – for example, detailed stock reporting, point of sale (if you are a retail outlet), customer feedback, CRM solutions, debt collection, detailed finance reporting and forecasting. All these features and more can be attained by using third-party software that's connected in the Cloud to your accounting software.

NB – HMRC requirements: HMRC acknowledges the widespread use of the Cloud and allows electronic records to replace paper records, as long as you meet their criteria (readable format, displaying both sides of the original paper record, etc).

It's clear that these benefits all help you do the same work more quickly and more easily. But it's not just the quality of work that improves; it's your quality of life whilst doing that work as well. You spend less time maintaining your records and more time either running your business or on your personal life. You get the flexibility to run your business how you want from wherever you want. You are no longer tied to keeping your records on one computer in one place. The maintenance of servers and hardware infrastructure is the responsibility of the Cloud provider and not you; and you can consider the related cost as maintenance costs rather than as part of your ongoing IT expenditure.

So, we now know that the Cloud makes work much more efficient and effective. But what about security? Will your data be safe in the Cloud?

Is My Data Safe?

Yes, it is. In fact, data in the Cloud can be even more secure than office-secured data.

First, let's consider the question of access. Who can get access to your Cloud-stored data?

The answer is only those people to whom you give authority. Access is via secure password protocols and therefore your work data is as secure as your personal online banking data.

But what about that other big security issue – back-ups? Every business struggles to maintain adequate back-up of all its data, so let's look at some typical back-up scenarios and identify the weaknesses in each:

SCENARIO 1: DATA IS BACKED UP TO A USB KEY

This is a fairly common practice in a lot of small and medium businesses. You now have your data in two places – the computer and the key – but that's all you've achieved. The little key's security now becomes paramount. Also, USB keys have a habit of misbehaving; can you be sure the data was securely backed up? Will it do a restore if needed? Where is it kept? Who has access to it? Is it removed from your premises?

SCENARIO 2: SERVER DATA IS BACKED UP TO TAPE

This is a common scenario in businesses with network servers; the data is backed up automatically to tape on a regular basis using back-up software. The automation removes the risk of human data input error, but the data copy is still a vulnerable physical entity – tapes can get damaged. And there is still some margin for human error in the handling of the tape; typically, one member of staff or more will have the responsibility of removing the tape from the premises, usually by taking the tape home at night. Can you be sure it does get removed? Will it be safe? Could the person lose it?

SCENARIO 3: NO BACK-UP IS DONE AND THE DATA IS ON ONE COMPUTER

Given the risks of the two back-up options above, maybe it's not surprising that some businesses actually take this third risk – not making a back-up at all. But it quickly becomes the nightmare scenario that can leave the business with the largest fallout from data loss if there is a fire, a burglary or some other incident.

Clearly, none of these scenarios is conducive to a good night's sleep. In an ideal situation, you would have bank-level data encryption, disaster recovery systems, and physical security of the premises where your data is located. But traditionally, the cost of achieving all these levels of security is too high for small businesses to bear.

Cloud accounting offers the solution. Cloud providers understand the importance of the security of your data. They invest millions of pounds every year to ensure your data is secure all day, every day.

So, even if you have always been meticulously careful in managing your data, you can see that it will be even more secure held in the Cloud. And because all the supporting software is up there with it, if your computer dies or is stolen, you simply replace it while continuing to access your data via your web browser – no new software, no extra costs and no work delays.



**Data in the Cloud can be
even more secure than
office-secured data.**

SEC- TION THREE

**What do I need
to set up Cloud
Accounting?**

How Do I Set It All Up?

A typical set-up is a logical step-by-step process that first establishes your own Cloud account as the 'control centre' for data storage and access, and then creates the links between this and any other software you use so that they all work together in an integrated way. For example:

STEP 1: CREATE A CLOUD ACCOUNT

You set up your account with your provider. This involves selecting your Cloud provider, deciding how much storage space you want to pay for and setting up your payment system.

STEP 2: LINK YOUR EXISTING SOFTWARE TO THE CLOUD

You decide which third-party software you want to add to the Cloud (for example your business and accounting software), and then create the links so that these communicate and interact directly with your Cloud account (for example, automatically storing a copy of a file or completing a bookkeeping record). Once these links are up and running, you can operate your accounting software from any internet browser.

STEP 3: SET UP CLOUD ACCESS PERMISSIONS

You now need to decide who gets access to your data (or to parts of it); for example, your accountant and your bookkeeping staff.

STEP 4: CREATING DATA PROCESSING FOR THE CLOUD

Before you can begin to work (via the Cloud) with your data and manage payments and receipts, etc, you will need to set up your templates – for example, invoice, statements and quotations – so that the Cloud software creates these records in your existing style. You will also need to set up automatic data feeds from your banks and credit card companies.

STEP 5: MIGRATE YOUR EXISTING DATA

When your Cloud software is fully set up, you will now migrate (transfer) your existing data records to the Cloud. You will then have all your software connected and be able to communicate and report in a consistent manner; you have the access rights for the people who need to work in the Cloud and you have the feeds you need to get new data up there. And so...

STEP 6: YOU'RE NOW READY TO GO LIVE

Sales invoices will start recording your sales; purchase invoices that you usually enter manually are imported and will start recording your expenses and direct costs; bank transactions will be imported automatically. As time goes on, this automatic data entry will become the basis for the majority of your accounting records.

If all this sounds complicated, don't worry. We can advise you and guide you through the entire process (see 'We're here to help').

What Computer Do I Need?

This is the easiest part really. As all the software is based in or managed from the Cloud, all you need is a computer – that's it. And the computer can be anything – it can be PC or a Mac; it can be a tablet; it can even be a smart phone. Cloud software just needs the browser on your computer for you to run the software on. If the idea of Cloud accounting appeals to you beyond accounting, then it is possible to run your entire business in the Cloud, although discussion of this is beyond this book.



**If all this sounds complicated,
don't worry. We can advise
you and guide you through
the entire process**

SEC- TION FOUR

How do I get
started?

Getting started means making some initial decisions about what you want from your Cloud system. Let's first run through the key benefits once more, and then consider these decisions and how you will introduce your new accounting system.

Key Benefits

The chief benefits of using Cloud accounting software include:

TIME SAVINGS

Routine *and* specialised tasks are faster and more efficient.

COST SAVINGS

Hiring your Cloud space is usually cheaper than maintaining, updating and replacing desk-based systems. You also make savings by switching from a paper-based to a digital-based administrative system.

AUTOMATIC DATA ENTRY

You replace time-consuming (and error-prone) manual data entry with automated entry.

SECURITY OF DATA

Your data is always there; your data is always backed up. The practicalities of achieving this level of security in a desktop environment are almost non-existent.

UP-TO-DATE INFORMATION ALWAYS AT HAND

Because so much of your data is being entered automatically, most of your information is always at hand and easy to use. And you have the flexibility to tailor how you assemble and present it in the way that best suits the circumstances.

WORKS ON DIFFERENT PLATFORMS AT THE SAME TIME

Many offices struggle with multiple platforms – PCs and Macs, tablets and smart phones – but with the Cloud you no longer have any incompatible software

issues. And you gain the full benefit of mobile working. You and your team have access to your data wherever you may be, whether out of the office, at home or on holiday.

UPDATES ARE AUTOMATICALLY INSTALLED

The timing and installation of updates is no longer an issue for you because this is handled by the Cloud provider. You will know when some updates have been installed; the other updates happen behind the scenes and just enhance the software you are using.

Initial Decisions

If you would like to embrace the Cloud and the benefits it brings you, then there are few decisions that you need to make before selecting your Cloud provider. The most valuable function of the Cloud is its ability to process information and generate reports, so you need to identify the information and reporting you need and check that your Cloud's software will give you this information. If it doesn't, you will need add-on software and your Cloud system must be able to integrate with this. For example:

REPORTING OPTIONS

Do you need just standalone accounting functions? If so, standard Cloud software includes functions such as balance sheet, profit and loss, VAT returns, etc. But perhaps your business also needs detailed stock reporting, or you may want to collect your invoice payments by direct debit? If so you will need these add-on functions to be able to integrate with your Cloud software.

PURCHASE RECORDS

Do you want a Cloud system that will process your purchase invoices and receipts automatically?

ADD-ON SOFTWARE

Do you need to be able to add on special Cloud business solutions? Some businesses require CRM packages; some businesses require email packages.

INTEGRATION

When you have identified the types of Cloud and other software you need to run your business, make sure that they will link together to provide the results you anticipate.

So, now you have your accounting software and any other third-party pieces of software you need. The next step is to set it up and get it all working.

Implementation

YOU NEED AN IMPLEMENTATION PLAN

You need to know who is responsible; who is going to be the person that manages the implementation and fully understands what the software needs to do.

DO YOU HAVE DESKTOP SOFTWARE THAT NEEDS CONVERTING?

If so, then this will need to be scheduled early on.

WHAT TRAINING IS NEEDED?

To fully exploit all the benefits of your new technology, you and your team need to know how to work with it. Training sessions should be scheduled for everybody who will have any access to the software.

WORK OUT A TIMESCALE

It's important that you fully understand when the different stages of your implementation will happen. Some stages will depend on other stages happening before or after – schedule accordingly.

And that's it!

Of course, this guide can only touch on the basic steps to setting up your Cloud accounting system. Depending on your circumstances, additional steps may be required. But it's important to emphasise that the world of the Cloud and Cloud accounting is evolving on a monthly, weekly and even daily basis. So, it's

important that you keep fully abreast of developments in your own software so that you can use it to its fullest benefit *and* learn of any new developments or solutions that will make your life and that of your business even easier in the future.

Good luck with your journey in the Cloud!

We're Here To Help

Xero is one of the leading Cloud accounting software platforms. Urquhart Warner Myers is a Gold Xero partner, with a team of Xero Certified Advisors including myself. We have experience in start-ups and in transferring existing businesses to the Cloud.

So, if you need any help with:

- Planning your Cloud-based system
- Deciding what software you need
- Managing the transition

Or you just want someone to bounce an idea off...

Please get in touch.

email mail@uwm.co.uk

telephone 0113 2310202

website www.uwm.co.uk

twitter @UWMAccountants



What is cloud accounting?

Jonathan Myers



UWMAccountants
urquhart | warner | myers