

# Emerging Trends of Traditional Accounting towards Cloud Accounting

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## ABSTRACT:

Accounting in the twenty-first century would be impossible to imagine without the assistance of information technology. It has been the language of business since its inception, and it has served every trade. Its practice has been significantly improved by the emergence of cloud-based accounting software, which is one of the most significant IT innovations of the last decade. With the advancement of cloud computing, the business world becomes more competitive and sophisticated. So, are we ready for the next wave of innovation? As a result, a new concept has emerged: cloud accounting is the next big thing, promising to reshape the accounting function. Although cloud accounting is becoming more common by the day, many business owners and professionals are unsure what it is, what its benefits are, or how it will shape the future of accounting. The purpose of this paper is to provide a theoretical overview of cloud accounting. It discusses its concept, benefits, drawbacks, comparison to the traditional one, and other important aspects that may shape the profession in the coming years. The purpose of this paper is to provide a theoretical overview of emerging traditional accounting trends toward cloud accounting. It discusses its concept, benefits, drawbacks, comparison to the traditional one, and other important aspects that may shape the profession in the coming years. The data was gathered and prepared using the most recent accounting studies and research.

**Keywords:** Cloud, Cloud Accounting, Accounting Software, Cloud technology, Accounting.

## I. INTRODUCTION

Accounting is a rapidly changing industry, owing largely to technological advancements. Customer expectations are changing as a result of the evolution of cloud accounting, and accountants are rethinking how they operate to meet the new, often heightened, demands. People are ready to be free of the shackles of paperwork in their

businesses; they want to focus on what they are most passionate about. Users access software applications remotely via the internet or another network via a cloud application in cloud computing. Similarly, data is sent into "the cloud" in cloud accounting, where it is processed and returned to the user. All application functions are performed off-site, rather than on the users' desktops, which relieves the business of the need to install and maintain software on individual desktops. According to PwC's Global Industry 4.0 Survey (2016) [2,] responding to Industry 4.0 will have a significant impact on all areas of industry, such as cost reduction, efficiency improvement, and profit expansion. AI, for example, includes functions such as Robotic Process Automation (RPA) and Deep Learning (DL), which will significantly improve computer processing capability. A time-consuming process. Everything that was done in the past can now be done instantly. These new technologies have already appeared on the show in a variety of fields. Piccarozzi et al. (2018) [3] reviewed the literature on Industry 4.0 and reached the conclusion that the Fourth Industrial Revolution leads to the implementation of digital technologies in manufacturing and services in a confidential place. Milián et al. (2019) [4] discuss financial technologies such as fintech, whereas Arundel et al. (2019) [5] discuss technological innovation in the public sector. New technology has not only been enacted in companies and the private industry, such as autonomous driving, business support and marketing, but also in national and public sector institutions including education, finance, technology, medical, environment, security, the military and so on.

Traditional accounting system is mainly acquired as a product and installed on the workstations of each user. You need to have a dedicated hard drive, which installs your software and store financial data, as part of traditional accounting software. A desktop application which is

not easy to access from any other device or network allows end users to access their data. The functionality of cloud accounting software is the same as that of on-premises accounting software. Cloud accounting software, on the other hand, connects to remote servers via the internet. Instead of an installed desktop application, the end user accesses and works with their financial data via a web-based interface.

### Objective Of Study

- To get a sense of what Cloud Accounting is all about, read on.
- To conduct a comparative analysis of the services of five cloud accounting firms from around the world.
- To comprehend the current impact of cloud accounting through the eyes of accounting professionals.

### Research Methodology

The research is based on an analysis of existing study on the effect of cloud computing on business processes in general and, in particular, its impact on accounting and financial capabilities by incorporating the changes made to the company's operational modules. Information for this paper were gathered from scientific published articles in the last three years, accounting regulatory body issues and regulations, reports and case studies published by the leading cloud service providers in the current market.

### Concept of Cloud

The term "cloud" refers to World wide web servers as well as the software and databases that run on those servers. Cloud servers are housed in cloud services throughout the world. Businesses and individuals who use cloud computing do not have to oversee physical servers or run software programs on their own machines.

All cloud services are provided "as a system" and come in three species: SaaS, PaaS, and IaaS.

**Software as-a-Service (SaaS):** SaaS is a category of cloud computing services in which a consumer can access a provider's applications running on a cloud infrastructure via the internet. The biggest drawback of SaaS is that users' data is stored on the server of the cloud service. It is also known as "on demand software" and is typically priced on a pay-per-use basis. This eliminates the need for the cloud user to install and run the application on their own computers, which simplifies maintenance and support.

**Platform as-a-service (PaaS):** It enables developers to create and deploy software solutions

on a cloud platform without incurring the expense and complexity of purchasing and managing the underlying hardware and software layers. Platform as a Service (PaaS) is built on top of IaaS and complements SaaS, infrastructure as a Service (IaaS), which is already used by Google, Facebook, and Microsoft.

**Infrastructure as-a-Service (IaaS):** It is a technology deployment model in which the basic computing infrastructure of server, software, and network equipment is provided as an on-demand service. The primary goal is to avoid purchasing, housing, and managing the fundamental hardware and software infrastructure components.

### Background of Accounting Technologies

Accounting technology can be recognized in a number of ways, like autonomous vehicles, financial engineering, and so on. The Association of Chartered Certified Accountants (ACCA) has released a report on the future of accounting titled "Digital Darwinism" [7]. This article examines ten emerging technologies which have the ability to substantially modify the professional and business landscape, namely, Mobile, Big Data, AI and robotics, Cybersecurity, Educational, Cloud, Payment systems, Virtual and augmented reality, Digital service delivery, and Social.

There are numerous articles that discuss the benefits of Cloud technology in accounting. Ionescu et al. (2013) demonstrated the cost savings generated by using a cloud computing-based application. The cloud provider can ensure data security, and the risk of unsynchronized data can be eliminated.

According to the Financial Stability Board, AI technology allows accountants to focus on more productive projects like decision-making, problem solving, advising, strategy development, and leadership. According to Deloitte (2017), RPA accelerates digital transformation and AI boosts performance in the public sector.

### Cloud Based Accounting

Cloud-based accounting software is hosted in the "cloud" instead of being installed on your desktop or manually maintained in ledgers and journals. Cloud accounting application is hosted on a remote server rather than a server on your company's premises. Your accounting data is sent to the data center, processed on a remote server, and returned to you. Accounting processes do not take place on your desktop. The application is entirely cloud-based. This relieves your company of the hardship of installing and maintaining software on multiple computers throughout the company. The cloud is expected to play a crucial

role in the gathering and development of accounting data and information. Clients and accountants can use the cloud to perform their jobs more proficiently, ensure data security, improve data coordination, and reduce the risk of unsynchronized data.

The term "cloud accounting" is gradually replacing standalone accounting software. Financial executives are looking for accounting solutions that are both cost-effective and practical. Companies are recognizing its value as a cost-effective manner to save time and money, according to Jodie O'Neill. More businesses will use cloud financials in the coming years.

### Why Cloud Accounting?

Accounting professionals as well as businesses can benefit from online accounting. The ability to access resources remotely is the most significant benefit of cloud technology. According to practitioners in the field, this improves business agility and has a ripple effect on the entire economic field. It also reduces IT budgets by investing in expensive hardware and applications. One of the most well-known advantages of cloud technology is the significant cost savings in IT budgets. Companies need to invest substantial resources in the traditional management accounting model to:

- build and maintain their own infrastructure; and
- install and update applications on each existing computer.

Using cloud-based accounting software can help small and medium-sized businesses save money. Because cloud-based applications are delivered as a service, users only pay a monthly fee to use the software. Large organizations may be able to avoid investing in licensing requirements, IT staff, and other necessary devices as a result of this. In the ancient accounting model, these businesses would have to invest in costly software and resources, which would be prohibitively expensive for many of them. Cloud technology is no longer viewed solely as a means to cut IT costs by businesses. Many organizations are aware of its capabilities, such as elasticity, scalability, and self-service nature. Businesses that use the cloud model can easily scale up and down and adapt to changing economic conditions. Cloud accounting is a cloud-based financial management system that helps businesses to monitor and control their financial data in a single location. It is appropriate for both financial experts (accountants, auditors, and business partners) and non-experts (business owners, partners).

The cloud model enables interaction and cooperation among users and variety of business associates, who can access precise and real-time financial data remotely. This transformation from paper-based accounting reports to timely financial dashboards can provide better insight into the productivity of the company. Cloud applications include a greater security, which businesses should be informed with. The company's financial data, which is hosted in the cloud, is regularly backed up and secured using encryption and complex security protocols. It is also important to remember that users have limited and specific levels of access to the cloud.

### Why Not Cloud Accounting

Cloud accounting is a recurring expense that must be factored into your regular budget. This could mean that Cloud accounting is more expensive in the long run for some packages. Some businesses provide flexible payment options to their service providers, but all require regular payments. The Cloud Standards Customer Council has published its 2015 Cloud Standards Customer Report. As per the report, cloud services can be used to improve customer service while also lowering the risk of cyber-attacks, security breaches, and internet service interruptions.

Loss of confidential data, one risk of cloud accounting is that control is technically lost. Control is lost in the sense that you, as a business, have no control over your data in the cloud.

Coordination failure, the standard accounting package provided by the provider does not meet all of the needs of the clients. Sometimes an organization's needs do not correspond to the standard accounting package services.

### Suitability of Cloud Accounting

Both cloud accounting software as well as traditional accounting software have advantages that must be considered when making a purchase decision. The following businesses will fall into the category where cloud accounting may be appropriate to use and provide additional benefits:

- Companies with a limited budget, because investing in cloud accounting software often costs less in the long run than traditional accounting software.
- Businesses with remote users may choose the ease of access of a cloud solution.
- Small businesses that are unable to provide adequate security because many cloud services providers can keep their data safer from security risks than they need to.

- Businesses that want to avoid the potential physical accidents with technology in the office that might destroy storage devices and, as a result, data (fire, flood, burglary, etc.).

#### Accounting Profession Changes in the Future

Technology has increased the rate of innovation in an ever-changing digital world, causing new trends to shape industries more quickly than ever before. Accounting is one industry that is undergoing this type of transformation. Accounting automation and cloud accounting are driving the industry in new and exciting directions. Many accountants and bookkeepers have recognised this shift and are working hard to restructure their practices. Among the accounting industry's changing trends are the following:

- Advisers who use the cloud have greater control over their time. Instead of spending time dealing with manual labour, they "hire" software to do it for them. This has an impact on advisors who have not yet made the cloud transition.
- Accounting services can be outsourced to firms located on the other side of the world. There's no need to travel to a client's location or work from an office. Outsourced accounting is rapidly expanding in the United States and Europe.
- The way accountants and bookkeepers interact with their clients is changing as a result of a new trend. The advisor-client relationship is shifting from transactional to value-driven interactions, rather than just document-based interactions. Clients will have a much more positive interaction as a result of this.
- Pricing based on value is becoming the norm. Bookkeeping and accounting firms are shifting away from hourly pricing and toward fixed, value-based pricing. When there was hours and hours of time-consuming data entry to do, charging by the hour made sense. Now, software can do that job. You are no longer required to devote time to that work. Hourly pricing is no longer providing accountants with the revenue they require or deserve.

#### Measure Difference between Cloud and Traditional Accounting

- a) **Cost:** Traditional accounting in several situations, in ability to execute accounting software, you should own the hardware, which is often costly. The hardware must be covered by insurance, as well as maintained and operated by an IT professional. It may need to

be changed on a regular basis as the demands of increasingly complex software outstrip its capabilities. You must then buy the software, which will need to be updated on a regular basis (sometimes at a cost) or replaced when a newly developed version is released, and the previous model is no longer 'supported' (i.e. the publishers will no longer give support or take responsibility for its failure to work).

Cloud accounting eliminates the need for specialized hardware because data and accounting software are stored offsite in the cloud. A few cloud accounting packages are free, but those that charge a fee require a monthly subscription. In exchange, you will have access to the most recent version of the software (with no additional costs for updates), which can normally be accessed by multiple users without additional payment. You do not need an IT professional to install software or updates because the software provider provides full support.

- b) **Accessibility:** Traditional accounting: You can only access the software and data if you are using a device that has the software installed on it. Cloud accounting: Anybody, somewhere with a secure user id and internet connection could use software and access the data it holds, which means financial administration can be done at home, while travelling, while away on business... anywhere!

- c) **Collaborative working and real-time data availability:**

Traditional accounting: Because data should be modified on each device that uses the software, updated files must be transferred from one device to another via email or memory stick, or downloaded from your own internal network. Because only one person has access to real-time data, or probably any information at all, at any given time, group discussions or projects requiring access to real-time financial data are not possible.

Cloud accounting: Every transformation is generic; any user of your company's software can instantly see real-time data. No need to manually transfer files, as many individuals as you want can view and discuss the data at the same time, making collaboration infinitely easier.

- d) **Environmental Friendliness:** Traditional accounting requires your own hardware, which will eventually need to be replaced. Only way for everyone in every meeting to see relevant financial data is to print it out or use an energy-consuming projector to display it. It also implies that all attendees must usually



congregate in one location and travel to the meeting.

Cloud accounting: Group members can read the system according to their own internet-enabled devices from home, that means they can use a communication app like Skype or video-conferencing to join the meeting, reducing travel and carbon emissions. The cloud has an enormous storage capacity, which reduces and may eliminate the need to print data.

e) **Safety & Security:** Traditional accounting: If the devices on which your data is stored are lost, stolen, damaged by flood or fire, or begin to malfunction, all of your data may be lost. The data could also be hacked by someone who gains access to or steals a device, and it is only as secure as the most recent security update on the device (assuming you keep your device's security software, such as anti-virus packages, up to date).

Cloud accounting: Even if your entire office burns down and all of your employees' devices are lost or stolen, you will still have access to all of your data because it is safely stored in the cloud, on multiple servers in multiple locations. To regain full control over the data, all you need to do is connect to an internet-enabled device. To open any of your data, anyone stealing a company device would need to know the secure login for your cloud accounting software, as nothing is stored on the device itself.

### The Future of Accounting in the Cloud

Cloud accounting may result in a significant move toward the concept of Triple accounting equation system in which all accounting entries involving third parties are cryptographically secured by a third entry. It is accomplished through the use of Block chain technology, which allows all submissions to be present in a public ledger, thereby promoting trust and transparency. Cloud accounting may become more important. Business metrics are essential. Accountants will need to find a way to keep up with changing business needs, as well as be willing to implement techniques in novel ways and understand how to leverage the metrics affecting their business.

## II. CONCLUSION

When it comes to managing their finances, small businesses all over the world are turning to the cloud. Fewer and fewer start-ups rely on hard drives to store and access accounting data. Cloud accounting software stores accounting data for small businesses in the cloud.

Cloud computing may be immensely helpful to financial services companies that adopt it, allowing for immediate analysis of massive amounts of data while potentially reducing the burden of compiling half-yearly or annual reports. In an economy that requires better services that take less time and cost less, the possibilities for businesses and accounting firms are limitless. As for clients able to do their own accounting and tax work, the use of cloud computing could enhance the accountant's role and services to that of a reliable financial adviser.

Cloud computing offers users with dynamically existing funds without having any physical configuration settings to access information, software, and computer programmes. By conducting this research, we hoped to draw attention to the effects of virtualization on the financial accounting process and the organisation as a whole. One advantage of migrating information to the cloud is the centralization of data and information through the integration of organisational processes such as inventory control, fixed assets, payroll, and so on, which results in a reduction of workload and time allocated for obtaining results.

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