

An Investigation on How Cloud-based Accounting affects Accounting Record Maintenance

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Abstract:

Since the dawn of trade, accounting, the language of business, has supported all professions. One of the biggest IT breakthroughs in the past ten years is the development of cloud-based accounting software, which has greatly enhanced accounting practice. The ever-evolving corporate environment of today is growing more complex and competitive as cloud computing advances. Accounting, like other company domains, has used cloud computing solutions to furnish specific and pertinent data, together with a real-time business summary for all concerned parties. Even though cloud accounting is getting more and more popular every day, many professionals and business owners are still unsure about what it is, how it will change accounting in the future, or what its advantages are. This study aims to present a theoretical overview of cloud accounting, including its idea, advantages, drawbacks, comparison with traditional accounting, and some other significant factors that could influence the accounting industry in the years to come. The data used in this document was gathered and developed using the most recent accounting professional studies and researches, as well as expert comments.

Key Words:

Cloud based accounting, traditional accounting

Introduction:

Accounting is an essential component of every business because it records every transaction the company makes, allowing us to ascertain the company's financial standing. Previously, all accounting records were kept on paper, meaning that tangible documents were kept to document corporate activities. Subsequently, accounting record-keeping software was used, but it also required expensive software to be installed on each computer in the company. The idea of cloud accounting has surfaced in the modern era. It is projected that cloud accounting

will make accounting records easily accessible, significantly less expensive than traditional accounting software, and save businesses critical time.

It is among the cutting-edge methods of accounting. One such platform is the cloud, from which anyone can access data at any time with the use of an internet-connected device. The advantages of adopting cloud accounting to handle all of their accounting requirements have been realized by numerous firms worldwide. Every employee's computer does not need to have any software installed in order to use cloud accounting. Additionally, it has removed the requirement for accounting data to be kept on backup storage units such as USB flash drives.

Managers are able to make critical organizational decisions by having access to real-time financial data using cloud accounting. Compared to traditional accounting software, cloud accounting offers advantages. Any organization that wanted to utilize standard accounting software had to buy the full package and install it on every computer. Thus, it may be said that traditional accounting software was offered as a product, while cloud accounting is offered as a service, whereby the company pays the cloud service provider for the privilege of using the platform to fulfil its accounting needs.

Objectives:

- 1) To provide a succinct introduction to cloud accounting.
- 2) To evaluate and contrast the offerings of various Indian cloud accounting providers.
- 3) To research cloud-based accounting software's efficacy in India.
- 4) To review accounting that is done on the cloud Applications.

Even in its most basic form, accounting has supported all business endeavours from the dawn of trade. Numerous adjustments have been made to enhance and adjust financial accounting. One of the more advanced methods of accounting today is cloud accounting. It has altered how a company used to keep track of its financial information. Its many benefits are making it more and more well-liked. A growing number of firms, particularly small ones, are switching to cloud accounting on a daily basis. With cloud-based accounting, a company can keep financial data on a digital platform without needing to maintain any physical systems.

Additionally, it enables its users to get financial data around-the-clock with the assistance of the internet. An attempt has been made to comprehend the idea of cloud accounting, the different cloud accounting service providers in India and the services that they offer, and how cloud accounting differs and improves over traditional accounting through this study. All of the secondary data included in the study was gathered from the websites of the individual cloud accounting providers.

In terms of the services they offer, it was discovered that all cloud accounting providers are nearly on par with one another. Additionally, it was discovered that cloud accounting outperforms its traditional predecessor in a number of areas, such as cost, accessibility, data security, collaboration, etc.

Meaning of Accounting Software:

Cloud accounting software is comparable to self-install or traditional on-premises accounting software, with the exception that it is hosted on remote servers, much like Software as a Service (SaaS) offerings. The user sends data to "the cloud," where it is processed and then returned.

A solution that offers secure online or remote server storage and multi-user access is called cloud accounting. All of the data that your users transmit to cloud providers is processed, securely stored, and then returned. Cloud computing enables business processes to be optimized and customized for the expansion of the organization.

How Cloud-Based Accounting Operates:

To help optimize corporate processes, cloud-based accounting leverages safe web-based software. Collaboration and financial reporting are made simpler for small business owners and their finance staff by having access to all important data from any location. Through a cloud application service provider, users can access the software applications over the internet or other networks. With cloud-based software, employees can access the cloud from their own devices, negating the need for a corporation to set up individual desktop computers with software. Remote teams or branches have access to the same financial records and critical data, including accounts receivable and finance teams. Having everyone in agreement always results in savings of time and money. Data security is another benefit of cloud accounting; disaster recovery and data backup are frequently included in your account. Your data is "cloud secure" in the event of a fire, natural disaster, or technical issue with a company computer.

Review of Literature:

- **Mahalakshmi (2017)** discussed the level of knowledge on cloud accounting among accounting professionals. Purposive sampling was used to conduct a survey among chartered accountants and postgraduate accounting professors in Bengaluru city for the publication. The study's sample comprised accounting professionals across various experience levels. The data gathered from 30 chartered accountants and 30 postgraduate teachers teaching accounting were subjected to a two sample t-test, and

it was discovered that there was no discernible difference in the amount of cloud computing awareness between the two groups in Bengaluru.

- **Nurhajati (2016)** evaluated how cloud computing technology is now affecting the auditing process. Two of the four largest accounting firms in the world were represented by the companies included in the study. An audit in a cloud environment combines an information systems audit with an information technology audit (an IT infrastructure audit). It is challenging to comprehend the auditing process in cloud computing environments because the technologies and controls are located outside the organization. We're still developing a common framework to govern audit in cloud computing. It was discovered that the auditing frameworks used by the various audit companies varied.
- According to **Onyali, Chidiebele Innocent (2016)**, the adoption of cloud computing can be boosted by cloud service providers properly informing users about the advantages and risks of the cloud, as well as by expanding the number of providers and offering a limited-time free trial of their services. The author stated that steady internet access was necessary before cloud computing could be applied efficiently, as it was discovered that unstable internet facilities exist in Nigeria.
- Five characteristics that affect how small and medium-sized businesses use the cloud were presented by **Gupta, Sheetharaman, and Rudolph (2013)**. These businesses have significantly different demands and requirements than major corporations. The main positive aspects are ease of use and convenience, which are closely followed by security and privacy, then cost effectiveness. SMEs prefer their old, practical ways of communicating with and working with their stakeholders over using clouds because they don't think clouds are dependable and because they don't want to use clouds for sharing and collaboration.
- In their study "Design and Implementation of a Cloud Computing Adoption Decision Tool: Generating a Cloud Road," **Inaki Bidosola, Rosa Rio-Belver, Ernesto Cilleruelo, and Gaizka Garechana (2015)** came to the conclusion that while cloud accounting is becoming more and more common, many businesses, particularly SMEs, are still unaware of its existence or the advantages it offers to the industry. They went on to suggest that startups, SMEs, entrepreneurs, and businesses in need of fresh capital or without a reliable infrastructure would particularly benefit from cloud computing.

Cloud Accounting and Traditional Accounting Software differ from one other in the following ways:

- 1) One benefit of cloud accounting software is that you may access your finances from anywhere at any time. Your financial data is always accessible and accessible from any location with cloud-based applications. Because the cloud is hosted remotely, you don't have to concern about wasting time on the transfers and informs that come with normal software.

For added convenience, a software supplier may even give a mobile app that lets you access your numbers on the go. With the help of this technology, you may access your accounts and monitor your cash flow without having to sit in your office.

- 2) Obtain a Current Perspective on Your Company. When your data is stored on the cloud, you can view your financial condition as it is right now. This will assist you in making well-informed decisions on your company's financial destiny. To obtain accounting data reports, you would need to flip through pages of information if you were utilizing a traditional accounting system. Now that you have access to real-time financial data when you need it, you can quickly grow your firm and meet its expectations.

- 3) Use Automation to Save Time.

The majority of cloud-based accounting software allows you to save time by automating your routine. For instance, you can input the details of your vendor and create a workflow that will pay them automatically on the same due date each month. Sending invoices to your recurring clients can also be automated.

- 4) Facilitate Collaboration.

Working with your accountant is made simpler when you use a cloud-based accounting tool. The cloud facilitates the generation of reports that you may be required to provide to your accountant. In order to provide your accountant with access to your figures at any moment, you can also grant them access to the program. You can also decide how much access an employee has to financial data when using an online accounting tool. If an employee is handling payroll, for instance, you can grant them access to payroll-related data only; they won't have access to bank account or financial details.

- 5) Boost Your Accounting's Accuracy. Because all the necessary financial data is entered in one location, cloud-based accounting systems have reduced chances of accounting errors. You can always get an accurate report by routinely recording your

income and expenses and organizing your transactions. If you utilize an excel sheet, you will need to master several accounting procedures, formulas, and shortcuts. To obtain an accurate report, all you have to do is make sure your revenue and expenditures are entered on a systematic base.

- 6) No Setting up Needed. Since cloud-based bookkeeping software is presented virtual, installing it on your PC doesn't require purchasing an installation package. In contrast to prior software applications that required installation and separate licensing on every device, cloud access can be accessed via a mobile app or web browser that allows you to log into your account. Additionally, you will save money by not hiring an internal IT staff to handle additional technological problems or software upgrades.
- 7) Availability of Technical Support. Having access to tech assistance is a big advantage of using cloud-based accounting software. You may receive immediate access to technical experts who can assist you with any problems you might be having with the cloud-based program by contacting tech support via phone or chat. By eliminating the need to hire an internal IT representative to handle the software, this can save your business both money and time.
- 8) Reduce Paper Use and Organize Your Workspace. Managing your finances might make managing your documents difficult since it can accumulate. Sorting through invoices, receipts, and spending can be quite time-consuming. Data from your papers can be instantly imported into the cloud with cloud-based accounting software. You won't have to shuffle through papers to see your money in real time after moving this data into the software. This will lead to a more effective way of handling your money by reducing the possibility of human error or losing crucial data.

Conclusion:

By enabling you and your staff to be more mobile and structured, cloud accounting solutions can help your company grow and increase efficiency. For instance, cloud-based accounting enables a worker to bill a client while traveling, possibly shortly after completing a service. As a result, you can invoice and receive payments more quickly. As your company expands, cloud accounting with a feature-rich system platform like Fresh Books can help you optimize business operations and boost productivity.

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