



Being "in the cloud" is all the rage, we're always using the internet for communicating, shopping, getting directions, and many other things - so why not your accounting as well?

Below we discuss the benefits and drawbacks of moving your bookkeeping and accounting work into the cloud so you can make an informed choice as to what's best for you.

What Is "In The Cloud"?

Something "in the cloud" is basically available 24/7 via the internet. Practically, this means that both the program and the data can be accessed from (almost) any device that is internet enabled.

Facebook for example, is in the cloud. All you need to do is access the internet and you can use Facebook to its full extent.

Microsoft Office is one program moving to the cloud. Traditionally you have to install their program on your computer, and then all files you create in that program are saved on your computer. The latest version of Microsoft Office can be accessed via the internet with files stored on your Sky Drive.

The Benefits of Cloud Computing

The main benefit of cloud computing is the 24/7 availability. You don't have to be sitting in front of your work computer to access your work files. Instead of working late at the office, you can go home, see your family, and finish your work at home.

Other benefits of cloud computing include:

- There are less issues with software not working on your computer - i.e. programs designed for Microsoft Windows don't generally work on an Apple Mac. Even more problems arise with tablets. Cloud computing overcomes this as all you need is an internet browser;
- Everyone is working on the same data at the same time;
- Software maintenance does not need to be performed by you - When, for instance, Facebook updates its interface or functionality, you don't have to install an update on your computer - it's just there next time you log in. Updates are usually rolled out faster and more regularly in the cloud too - so you are always on the latest and greatest system;
- Data loss is minimised in the event of an accident - Traditionally, if you lose or break your computer, you lose all the data on it (unless you backed it up the night before). Imagine all your business records going missing because you misplaced your laptop, or spilled a drink on it. When your data is in the cloud, it isn't stored on your computer, and not susceptible to that same loss;
- Backups are done for you - Facebook, for instance, backup their data continuously. If one of their hard drives crash, there is another one ready to go with that same info on it. They will also have backups in multiple locations (and even multiple countries), so if there is a fire at one location, the other is still safe;
- Potential IT savings. If you can run your software simply from an internet browser, you don't need to have a laptop with high specifications - just any plain old one will do; and
- Because cloud computing is new, it is compatible with current concepts and programs. You also find that cloud software is compatible with all other cloud based concepts (such as electronic payments), while your old desktop program may not be.



The Drawbacks of Cloud Computing

There are drawbacks of using the cloud:

- You are reliant on the internet. It's reliability is much better than it was 5 years ago, but still not perfect. If your internet goes down, you lose the ability to work;
- You lose an amount of control over your data. It's no longer on your computer, or your USB, but to what extent that matters depends on how sensitive your info is. You won't find the ATO storing their data in the cloud for instance;
- Your data is available to anyone that can guess your password. It's no different to internet banking, but less secure than someone needing to be using your computer plus guessing your password;
- Your data is available to anyone that can hack into your providers system. Think of the banks - there are attempted hacks on them all the time - the security of your data depends on how diligent they are;
- The speed of the program is dependent on the provider, not your computer. With traditional programs, if it was running slow you either added more RAM or simply updated your computer. With cloud programs that speed depends on whether the provider upgrades their equipment when they get more customers;
- Price / Cost. With traditional programs, you paid a once-off fee for the software, and maybe a small update fee to get continual updates. With cloud software, you are on a constant subscription (usually monthly). Whether this cost is much greater will depend on the individual programs and costing arrangements, but generally it is more expensive (however, if you count the savings you can make on not having a whiz-bang computer etc, it may actually be cheaper);
- The functionality of cloud products is normally reduced or limited. This is mainly because providing extra features slows down the system (so the provider has to invest a significant amount of extra dollars to provide them);

Overall, drawbacks mainly fall in the category of security and control. The amount that these matter will depend on the data. For instance, it doesn't really matter if someone hacks your study timetable, but it will matter if someone hacks your internet banking.

Cloud Accounting / Bookkeeping

Let's put all this in perspective now. We are primarily concerned with whether cloud computing suits your accounting / bookkeeping.

One of the biggest benefits is that you, your bookkeeper, your advisors, and your accountant are all working on your current (and the same) information. This has many benefits, including:

- You can ask your accountant for help on a particular transaction, and both of you can be logged in, looking at the same info at the same time;
- When your accountant finishes your year end financials, he or she can just log into your accounts and do any end of year adjustments for you - no more getting a journal from your accountant; and
- You no longer have to deal with backups of information that may not copy properly, become corrupted, or simply get lost.

In addition, cloud based accounting products have a number of time saving features in them that are likely to offset any additional cost. For instance, if switching can save you 5 hours a month, is an additional \$20 fee per month worth that time saving?

Is the ability to do a quote / invoice while at your customers premises and email to them on the spot worth an extra few dollars?



Maybe the loss of advanced inventory management will be too much for you so you have to stay with the desktop programs until cloud providers get their act together.

Ultimately, the cost vs benefit analysis will be a personal choice.

Further down this brochure is an analysis of 3 well known providers of cloud accounting / bookkeeping software to assist you in deciding whether it is for you - but before we get to that, we will outline the significant features that are relevant in choosing a provider that suits you.

Bank Feeds

Labelled differently by different companies, but they all mean the automatic downloading of your bank transactions into the software so you don't have to manually put them all in.

This feature is important for 3 reasons:

- 1) It saves you time in manually entering each and every bank transaction, and the good ones can match an amount against an outstanding bill or invoice to further speed the process;
- 2) It eliminates human error in missing some transactions, doubling up, or simply mistyping the amount (and if you've ever done a bank reconciliation, you'll know just how frustrating the simplest of human errors can be); and
- 3) The best programs are "intelligent" and based on a combination of "remembering" and user entered rules, can automatically allocate (or suggest the allocation of) some transactions. For example, you pay rent of \$2152.62 every month to the same person. The software will remember that and next month allocate that transaction to rent without you having to think about it.

The above 3 features can result in significant time savings for you (or significant cost savings if you employ a bookkeeper).

How these programs get your bank data is important too, with some being more secure than others. "Xero" for example has a direct relationship with various banks to get their data - you sign a form and it goes to the bank, whereas some others use a third party (normally "Yodlee") who require your internet banking details.

Payroll

Payroll is generally included with all accounting software, but the good ones do little things that others don't, and these little things all save time...your time.

It may be that timesheets and leave applications are incorporated into payroll, or that the payment of payroll (and super) is included in the functionality (e.g. by creating an ABA file that you can import into your internet banking).

All providers ensure that the tax tables are up to date at all times, which is one less thing you have to worry about.

Online Invoicing & Payments

The cloud providers are designed to primarily work in a paperless fashion - so that means the good ones will easily facilitate you sending invoices by email, and receiving payment electronically. Same goes for payment reminders and statements.

The ability to set up recurring invoices is also important.



Reporting

Some business owners are happy to see a profit / loss report and that's about it. Others like seeing breakdowns of cash flow, inventory, jobs, classes, etc. Cloud software will generally have less reporting options than desktop software, but they will also do the basic reports.

Integration with Other Software

Commonly called "add-ons", the ability of your accounting software to download data from other software may be important.

For instance, you may require a sophisticated payroll roster / timesheet system and want to download the relevant data (i.e. hours worked at normal rates, overtime, etc) into your accounting system.

Conversions from Your Current Software

Getting all your existing data across without having to re-enter it is a must. Thankfully, cloud providers have thought of this too and its integrated (with varying levels of success).

This could be importing full history, or just customer and supplier lists if you want a fresh start.

BAS Returns

It should be a given in this day and age that your accounting software will do your BAS for you - and it is. What's not a given is that you can lodge your BAS from within the software to the ATO.

Keep a keen eye out for this feature, as the ATO accept lodgements this way, it's just whether the software providers can do it.

Software Comparisons

Below we have a short analysis of 3 well known providers of cloud accounting / bookkeeping software to assist you in deciding whether it is for you.

It is by no means an exhaustive list, but these are the 3 you are most likely to have heard of.

Disclaimer – Each software company changes its product offerings and prices regularly, please check their websites for up to date information.



"Beautiful Accounting Software" is their tagline. It looks good, works well, and Xero was the innovator in cloud accounting software.

Cost

Xero is generally more expensive than its competitors. In our personal opinion this is justified because it is better than its competitors, but again, that will be a personal choice.

Xero have a number of different plans based (mainly) on the number of employees you have.

The "Standard" package is \$50 per month which includes unlimited transactions and payroll for 1 employee. More employees are an additional cost, and automatic superannuation payments are included at the \$60 per month level.



Xero also make available to us a "Cashbook" subscription that is basically the standard package less payroll and invoicing, but with reduced reporting - for \$19 per month. *Please note: You won't find this on Xero's website, it is only available to "professional partners" such as ourselves.*

<https://www.xero.com/au/pricing>

Functionality / Features

Xero simply works better than the others. It's not perfect, but it just has less of those little annoying problems.

One function that it doesn't provide (yet) is the ability to create quotes - but that is being added shortly.

Xero also offers an "employee portal" where staff can log in (with only access to their individual payroll info), and apply for leave, enter timesheets, and print off pay slips.

<https://www.xero.com/au/accounting-software>

Add-Ons

Xero boasts over 300 add-ons, so if you need more advanced inventory tracking for example, you can get it and know that it integrates with Xero.

<https://www.xero.com/au/add-ons>

Online Help

Xero has an extensive help library, plus has a large array of educational videos to show you how to do various tasks. It's all set out very well and easy to understand.

<https://www.xero.com/au/tv>

Our Verdict

If paying a little extra isn't a concern, then go Xero as it is currently the best product on the market.



Quickbooks is the newest of the 3 into the cloud market, but it has come up to speed very quickly.

Cost

The "Plus" version costs \$38.50 per month and includes all the features you would expect, with payroll for 10 people (additional employees are \$4 per month). "Essentials" also includes payroll and is \$27.50 per month.

QBO often runs a promotion where the price is discounted for 12 months (then back to normal pricing), with similar discounts for their other versions as well (conditions apply - see website for details).

If you are looking for basic functionality, the "Simple Start" version is for you at \$16.50 per month which is basically the Plus product less the ability to record bills, inventory, and have user control.

<http://www.intuit.com.au/quickbooks-online/small-business-accounting-software-compare.jsp>



Functionality / Features

Quickbooks has the most feature-rich product, and in general it works pretty well. It can seem a little clunky at times, with some things requiring extra steps than it should, but overall a very good product.

Don't rule out Quickbooks fixing these problems in the future though - one of the benefits of cloud software is that it is always being updated and improved.

Quickbooks also offers inventory tracking that neither Xero or MYOB do at this point.

Add-Ons

Quickbooks has around 106 add-ons at last count, covering most of the categories you need (i.e. advanced inventory, CRM, debtor tracking, etc).

Online Help

Not as easy to navigate as others, but it gets the job done. We would expect this to improve as the product matures however - so its shortcomings here may not be permanent.

Our Verdict

If you are looking at cost vs benefit, it's hard to go past Quickbooks. While not as fluid as Xero, it offers more functionality for its price - the question is whether the cost saving is worth the little bit of extra effort required to learn it and move around all the functions.



MYOB has had an online presence for a while, but its first attempt (LiveAccounts) was horrible. We are glad to report that MYOB has now fixed a number of those issues and re-launched as MYOB Essentials.

If you have written-off MYOB as a cloud provider because of a past experience, we suggest having another look. Like Quickbooks, MYOB is looking to gain a market share quickly, and have priced their product appropriately.

MYOB also offer a hybrid-cloud product, being their AccountRight range. Basically your data file lives in the cloud, but you have to install the program on your computer to access it.

Cost

Pricing is in-between Xero and QBO. \$40 per month will get you payroll for 1 employee, \$50 per month will give you unlimited

<https://www.myob.com/au/accounting-software/essentials>

Functionality / Features

MYOB does invoicing, quotes, bills, simple inventory management, and all those things you would expect, however MYOB seems to have targeted their product at customers just needing the basics as you don't get the same in-depth features as Xero or Quickbooks (for example, customer cards are very basic in MYOB, but comprehensive in Xero).

The biggest deficiency of this "simple" approach is with its auto-allocating bank transactions. Basically it is a lot less customisable than Xero and Quickbooks, and the result may be that it's not quite the time saver it should be.



Add-Ons

Started slow, but plenty more to come. There are a large range of add-ons for MYOB's AccountRight product which we imagine will migrate across to MYOB Essentials in the near future.

MYOB has an advantage however in its "Pay Direct" add-on. It is a mini-card reader that attaches to your smart-phone, allowing you to accept payments while on the go.

Online Help

MYOB's help covers all topics quite well, and comes with some tutorial videos just like its competitors. It's nothing special, but it will get the job done.

Our Verdict

We think it's a little behind both Xero and Quickbooks, but that may be "by design" as it looks to be targeted at smaller / simpler businesses.

If you are currently a MYOB Accounting Plus user paying the \$800 a year subscription to gain access to periodic updates, support, etc - then I'd be looking at MYOB Essentials as an alternative that will save you money from day 1 (just don't discount Xero and Quickbooks too quickly though).



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