



ADOPTION AND AWARENESS OF CLOUD ACCOUNTING: CHANGING PARADIGM

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Abstract:

It is widely assumed among all the business houses that with the changing business scenario cloud-based system for keeping records is the need of an hour and it is replacing the traditional accounting system. But the question arises that does cloud computing furnish all the requirements of the business? And can it be fully implemented in place of a traditional accounting system? This paper tries to answer these questions by giving a deep understanding of the concept of cloud accounting and its pros and cons over traditional accounting system. Modern accounting procedures have consistently revolutionized accounting over the last few decades. Clients' and accountants' expectations are shifting as cloud accounting evolves. Accountants are reconsidering how they work to meet new needs and work more quickly and efficiently. This research is descriptive and examines cloud accounting using previous literature, journals, books, magazines, and websites, among other sources. It also includes a wide range of academic material on cloud computing and cloud accounting. This study suggests that to cope up with the dynamic environment and to increase the efficiency and performance of a business concern it should adopt the new technologies in the form of cloud computing.

Keywords: Cloud Accounting, Traditional Accounting, Service Model, IaaS, PaaS, SaaS

Introduction:

Accounting is the business language and a critical function for practically all businesses. It is the skill of capturing, classifying, summarizing, analyzing, interpreting, and reporting data in monetary terms. It has evolved throughout several decades, with new technology making it better

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and more convenient for consumers. The accounting methods are consistently changing and each change gives better technology which has made accounting much easier. Cloud computing refers to the collection of the network. This accounting or online accounting means data is sent into "the cloud ", where it is processed and returned to the user anytime, anywhere and from any device having an internet connection. Here users send information or data requests to "the cloud", data gets processed within the cloud and it sends back results to the customer.

The development of cloud accounting is changing the hope of the clients and accountants and they are rethinking the way they operate to meet the new demands and work more quickly and efficiently. Technology is helping them to find better working life integration. For example, Accountants can do mobile accounting by approving transactions, authorizing payments, updating financial data, preparing financial statements, without necessarily being in an office where the accounting software has been installed on the desktop. This mobility would provide accountants the benefit of sharing timely information which would increase the speed of decision making. In cloud storage center, all information's are stored and users can fulfill their requirement from that.

Cloud Accounting: Cloud accounting is the delivery of on-demand accounting services over the internet on a pay-as-you-go basis. Rather than managing files on a local storage device, cloud accounting makes it possible to save them over the internet. The most recent trend that has emerged in the company is cloud accounting. Cloud-based services have benefited all types of businesses to their full potential. Cloud accounting software was created primarily to address the issue of data storage. Files that would normally be kept on a hard drive are now stored online.

This enables the users to manage their accounts whenever they want. It is a model that allows on-demand network access to shared computing resources. It is an internet-based approach for managing, storing, and processing data. With the support of that organization, government and business bodies employ these services for customer relationship management, enterprise resource management, data storage, and other purposes.

“ Cloud computing is a compilation of existing techniques and technologies, packaged within a new infrastructure paradigm that offers improved scalability, elasticity, business agility, faster startup time reduced management cost, and just in time availability of resources”

From NIST

IBM	DEC*	Intel	Microsoft Cisco	Cisco	Nokia	Cloud Accounting
Mainframe (1960-70s)	Mini computer (1980-85)	PCs (1985- 90)	Client Server (1990-95)	IP network (1995- 2000)	(2001-08)	Present

*DEC- Digital Equipment Corporation

The following shows the comparison of how cloud accounting technology performs against traditional accounting:

1. **Delivery of services:** In cloud accounting transmission of various services, such as data and programs, across the internet to various servers whereas, delivery of various services on a local server in a traditional accounting
2. **Safety & Security:** cloud accounting technology keeps data safe and secure But in traditional accounting financial data will be completely lost if the hardware becomes damaged or stolen.
3. **Storage:** Cloud accounting provides infinite storage space, and computing power, allowing applications and software to function more efficiently but with less storage in traditional accounting.
4. **Expert Requirement:** Appointment of a team for hardware and software maintenance is required in cloud accounting but no expert is required for hardware and software maintenance in traditional accounting.
5. **Automatic Data Back-Up and Restoration:** The cloud-based service provider can help in data recovery, restoring operations as quickly as possible to minimize the damage and inconvenience to consumers. This saves time, money, and energy.

Importance of cloud accounting:

Cloud accounting can be helpful in several ways, which may be explained as follows:

1. **Accessibility:** with the help of cloud accounting users can access the data through any device from any place having an internet connection and data sharing also becomes very easy. The whole business team around the entire world can access data and together with no obstacle of place.
2. **Lower costs:** With a cloud-based system, businesses do not make a lump-sum purchase of a program, or server to host it. There is a lesser requirement of IT staff, this minimizes IT professional fees and helps to avoid installation fees altogether. Financial data can be stored at a comparatively lower cost with no need for investment in infrastructure and its maintenance cost.
3. **Multiple users:** Traditional accounting methods are usually limited to a small number of users, and it is extremely difficult for them to all use the system at the same time. On the other hand, cloud accounting allows multiple users to access the same data at the same time.
4. **Keeping the data up to date:** One of the most common issues with previous accounting systems was the inability to update accounting data. If we want to edit a single figure, we must manually record the change in every place where the figure appears, including ledgers and other papers. When new data is entered into cloud accounting, it settles in all of the required locations.
5. **Security of data and Financial Information:** Everyone believes that storing all data on a single desktop will keep it safe, but this is unlikely to be the case in the long run. Data can be lost as a result of theft or a virus, with no possibility of recovering it. However, if all

financial records are stored on the Internet, even if the desktop and hard drive files are wiped, there is no risk of loss.

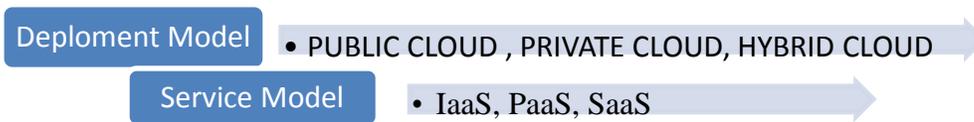
6. **Automatic Data Back-Up and Restoration:** The cloud-based service provider can help in data recovery, restoring operations as quickly as possible to minimize the damage and inconvenience to consumers. This saves time, money, and the potential for headaches if any areas are missed.

Drawbacks of cloud accounting:

Every technology, as we all know, has its advantages and disadvantages. Some of the disadvantages are:

1. Requires a constant Internet Connection.
2. Security and privacy.
3. It does not work well at low-speed connections.
4. Stored data might not be secure.

Cloud accounting service model:



- **PaaS:(Platform as a Service), SaaS:(Software as a service), IaaS:(Infrastructure as a service)**

➤ **DEPLOYMENT MODEL:**

1. **Public cloud:** The cloud infrastructure is made available to the general public over the internet and is owned by a cloud provider. Ex.- AWS, Microsoft Azure, IBM Blue cloud, sun cloud.
2. **Private cloud:** The infrastructure is exclusively operated by a single organization. It can be managed by the organization or a third party and may exist on-premise or off-premise Ex.- AWS(Amazon Web Service), VMware.
3. **Hybrid cloud:** It consists of the functionalities of both public and private cloud. **Ex.-** Federal agencies opt for private clouds when sensitive information is involved also, they use the public cloud to share datasets with the general public or other government departments.

➤ **SERVICE MODEL:**

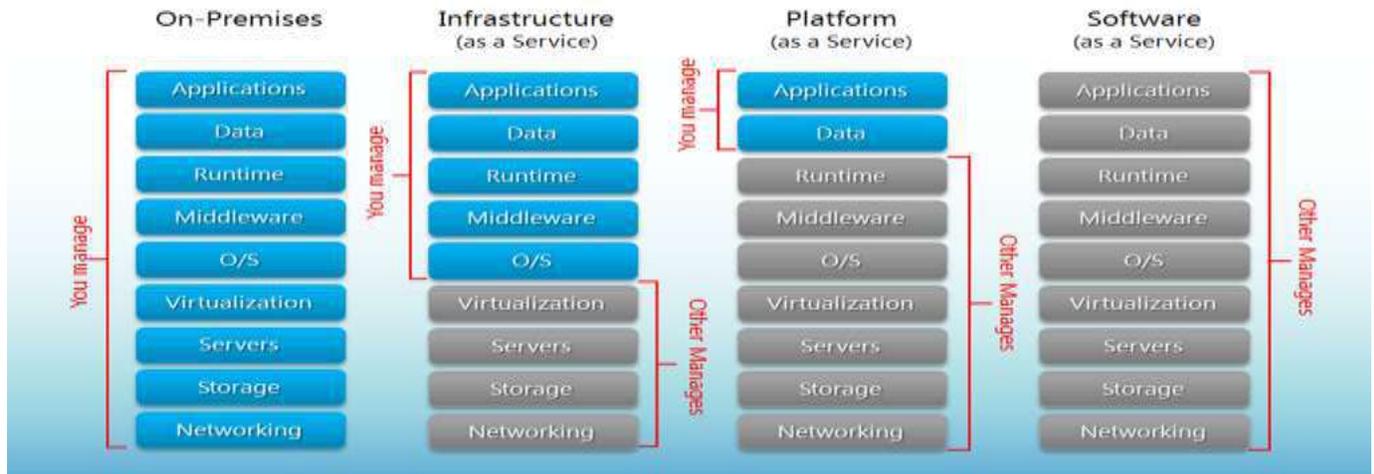
1. **Software as a service (SaaS) -Independent Platform.** All software and hardware are provided and managed by the vendor so you don't have to maintain anything.
User: End customers, Email, Google Drive, virtual desktop communication, Microsoft office 365.
2. **Platform as a Service (PaaS),** provides the cloud platform and runtime environment for development, testing, and managing applications. It allows software developers to deploy applications without requiring the entire related infrastructure.

User: software developers, Ex-Windows Azure, Heroku, And Force.Com.

3. **Infrastructure as a Service (IaaS)**, virtual environment so that many users can access them. Resources include data storage, virtualization, services, and networking.

Users: IT Administrators. ex.- Amazon EC2, GoGrid, and Rackspace.com.

Separation of Responsibilities



Source: http://programacion.jias.es/wp-content/uploads/2015/05/image_31.png

Literature review:

(Mohammadi & Mohammadi , 2014) Evaluated the benefits of cloud computing over traditional accounting systems and suggested that cloud accounting is the need of an hour. (Dimitriu & Matei, 2015), outlined the cloud concept is growing rapidly, and more firms are employing cloud-based technology to increase their productivity and gain access to a variety of other advantages. The cloud-based accounting paradigm enables all business stakeholders to work closely by providing real-time access to financial data over the internet without the restriction of any time or location. In addition to this (Khanom, 2017) Highlighted the importance of cloud accounting in changing business scenarios and outlined that a program for cloud accounting uses the Cloud to store financial information. It enables the owners and staff to obtain financial information via an Internet connection. In this paper, the author commented that cloud accounting is the real need, and implementation of this can reduce the time and expenses of the business enterprises incurred for filing the annual or semi-annual reports. The author also added that cloud computing will make an organization more efficient. Further(Walakumbura, 2021)Determined understanding and acceptance among Sri Lankan accounting professionals on cloud accounting. For this purpose, data has been collected from 149 accounting professionals in the private sector. By implementing factor analysis the author concluded that the major reasons for the adoption of cloud accounting, are unlimited and easy geographical access, limitless storage, processing capability, and auto back -up, predefined

interfaces for the preparation of accounting reports, and primary reasons for the non-acceptance of cloud accounting are not popular within peer groups, less data confidentiality, and lack of faith in Internet-based services. In addition, the study's findings revealed that respondents who were unfamiliar with cloud accounting were interested in learning about this new technology. (R & C., 2019) Talked about the challenges faced by CA firms in Bangalore while implementing the cloud accounting system and found out that, the heavy expenses and unfamiliarity were the main reasons for not adopting the same. (Ou & Zhang, 2021) Evaluated the association between cloud computing and traditional accounting system and highlighted the importance and prospects of cloud-based accounting systems. (Salunkhe & Kelkar, 2016) Examined the advantages and challenges of e-learning through cloud computing in management institutions and concluded cloud-based accounting system is future for educational institutions. (Kariyawasam, 2019) Discussed the importance of the cloud-based system in Sri Lankan SMEs and, aimed to increase the efficiency of SMEs by implementing the cloud accounting system. For this purpose, the author used the purposive sampling method and analyzed the data on a five-point Likert scale, and concluded that the performance of the business and all the elements of cloud computing are positively related. (Algrari, 2017) Commented the information system based on cloud system increases the performance of the organizations. By going through various literatures available it can be concluded that the cloud-based accounting system is very needful in the fast-changing business world and it provides lots of benefits to the institutions which adopt this. The use of the cloud-based system is not restricted to only the business sector but it is all-pervasive.

Objectives of the study:

- A. To understand the basic idea of cloud accounting and highlight its benefits and drawbacks.
- B. To examine the importance of cloud accounting over traditional accounting.
- C. To understand the impingement of cloud accounting in the present world and outline the challenges faced while implementing the same.

Research methodology:

This is a descriptive and conceptual research study that examines the concept of cloud accounting and its pros and cons over traditional accounting system using previous literature, journals, books, magazines, and websites, among other sources. It also includes a wide range of academic material on cloud computing and cloud accounting.

Need for study:

The upcoming trends in accounting do not help in increasing the efficiency of the firms but also provide and cost-benefit. In this scenario, it is necessary to investigate whether the benefits are actually enjoyed by the firms who incorporate these trends into their operation, and also how this can change the future of small businesses.

Challenges faced in cloud accounting:

1. **Internet reliability:** An internet connection is necessary to perform cloud accounting functions. There should be high-speed internet connectivity that is consistent and uninterrupted.
2. **It is not yet ready to be used:** it is not easy to adopt change easily for accountants. They have difficulty acquiring new technologies, which necessitates the use of technical professionals to provide information and training on cloud accounting applications.
3. **Inability to access software and data remotely:** The inability to access accounting software is one of the most common problems that accountants experience. The same type of accounting software is hosted on the local office computers only like Sage, QuickBooks, etc, in that case, they can't work on an urgent task.
4. **Security and Reliability:** In cloud accounting, the cloud is nothing more than the internet, where there is a greater risk of confidential data being stolen, hardware theft, and unauthorized system access by a third party, affecting the reputation of accountants and firms.
5. **Increased operational costs:** If accounting companies want to commence working with clients, they must invest funds in advance IT infrastructure and professionals (computer systems, software, and so on), for that they are not having a proper budget plan.

Conclusion:

In previous years we have seen a rapid advancement in information technology. As IT tools and devices pervade practically every part of our lives, the divide between technology and society is blurring. Companies are considering a new way of doing business in such a dynamic and challenging setting as the economic field. The cloud concept is getting more popular, and more firms are adopting cloud-based software to increase their productivity and gain access to a variety of other benefits. The company used to utilize desktop-based accounting software before switching to cloud accounting. This has various drawbacks, including limited data access, constant software updates, and the cost of backing up all financial data. Cloud accounting includes all of the same features as desktop accounting software, but the entire process takes place on the cloud. So we can finally conclude that to survive and make their existence visible the organization needs to adopt the changes at the same pace as they occur else they will lack down the probability to survive and one of such changes is shifting to cloud accounting from traditional accounting methods.

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