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ICAEW Software Accreditation Scheme

The future of accounting is online

By Hamish Edwards, Chartered Accountant and co-founder of ICAEW-accredited Xero online accounting software

It is a widely-held opinion among the UK's leading accounting commentators that the future of accounting software is online. And it's not just accounting software; increasingly a range of business applications are becoming web-based too.

You've probably read about online accounting software or heard it mentioned among your colleagues or networks and thought, 'Why would I bother – it's a trend, surely it won't last?' If you have buried your head in the sand about online accounting then it's probably time you came up for air. This is the single most important accounting innovation to have occurred since the double entry ledger (back in 1494!). Seriously, online is the means by which many of us already bank, pay bills, communicate, shop, look for homes, jobs and even find love. It's just what we do. Why would your accounting be any different?

There are few certainties in business, but what is known is:

- More and more business is conducted online.
- People are comfortable with technology and see it as an enabler.
- People are becoming increasingly time-poor therefore any tool that creates more time for them is seen as providing additional freedom.
- Consumers want cost-effective but high-performance business partners – whether they are human or software.
- People are always keen to increase their bottom line.

One of the most innovative and cost-effective new tools is the model of software provision called 'software as a service' or SaaS. This is also known as 'cloud computing' or 'on-demand software' because you access it via the Internet when you need it, instead of purchasing it outright and loading it on your office computer or network.

End users are embracing online software and services in droves. The most compelling reasons for businesses moving to web-based solutions are: cost-effectiveness, more efficient business practices, easier and better access, as well as clarity and confidence.

John Stokdyk, Technology Editor for AccountingWeb, wrote in his article entitled 'Software as a Service debate – once more, with feeling' that, 'while concerns about security and trusting

sensitive data to the online "cloud" still frighten many accountants, results from our Software Satisfaction Survey indicated that 7-8% of accounting software respondents were using hosted applications. Breaking the 5% barrier represents a major step forward and suggests that software on demand is beginning to climb.'

John was referring to the 2007 survey. In the recently-released results for the 2008 Software Satisfaction Survey, use of online accounting software is almost 10%. In just one year the uptake for online accounting systems has increased and is set to continue to do so.

For accounting professionals the possibilities demonstrated by online accounting are overwhelming. There are a number of distinctive features exclusive to online accounting that traditional systems just cannot handle. For example: mobility – you can work on your clients' financial information in the office, at home or while travelling; and accessibility – you and your clients can access real-time information simultaneously so you're both always on the same page (or ledger).

With a web-based accounting system you and your clients can log on to their valuable financial data at anytime, resulting in a truly collaborative and empowering relationship. Ultimately, accountants who use an online system say they work closely with their clients in a more enterprising way as they're not just doing compliance but are actually providing more value-added services. Online accounting software gives you the opportunity to make highly effective and profitable changes to the way that you do business as an accountant.

Accountant Carl Reader, from ICAEW member firm Dennis & Turnbull, explains how using online accounting software works for the 170 clients they have, 'It's easy for us to be the "local" accountant to a nationwide client base using online accounting software, as it makes no difference that we might be hundreds of miles away. We can always access our clients' accounts and advise them wherever they are.'

But, it's important to remember that it's not all about software. Service is the other part of the acronym, SaaS. Online providers work behind the scenes in important relationships that deliver end-users with easy, integrated software. They do the yard work so you and your clients benefit. You're an accountant, not necessarily a software expert.

Andrew Sandiford, Head of Business Advisory and Assurance at ICAEW member firm Target Chartered Accountants says the relationship with his clients that use SaaS software is more advanced due to their online collaboration, 'Using PC-based accounts software, we can be perceived by clients as "just" accountants; but where we're using online accounting software we're valuable, trusted advisers. There is a big difference.'

Online accounting systems also work with your other software providers too, so that you have a complete end-to-end integrated solution that is always available. There are no expensive upgrades, nor are you limited by always having to work in the traditional manner on a desktop computer that lives only at your office.

Integration, such as with your practice management system, bank, CRM and other software providers like payroll or job costing, is indicative of the way SaaS works. This is only the beginning. The technology behind the software is moving at such an advanced rate, due to the nature of SaaS, that a product you see today may have been through fifteen versions or more in one year. SaaS enables the continual advancement of accounting processes.

Leading accounting and IT specialist and commentator, Dennis Howlett, is passionate about the innovations and features of online accounting products. His thorough and insightful articles can be found on his blog, AccManpro, and he regularly comments and contributes to other online publications. Howlett refers to the significant number of UK users of online business software: 'I estimate the UK uptake is something in the region of 65-70K users for accounting style applications, including billing style apps. If I look to the broader landscape for CRM, helper and project apps then the number goes to around 200K'.

Rod Drury, CEO of Xero online accounting software and experienced IT entrepreneur, says, 'SaaS and the Internet for the foreseeable future are where things are going. Today we are reliant on the net and technology - Gmail, Facebook, YouTube, flickr, banking - everything is in "the cloud".'

Ownership doesn't mean the same thing in this space - you now pay for or rent the service you require. If it doesn't work, then you move on. Because customers can effectively change at the click of a button, [SaaS] vendors are working very hard to ensure that ownership is carefully managed and service levels are high.'

Not only does online accounting stack up a remarkable practical business case against desktop-based packages, but this new trend is gaining traction among practitioners and institutions like the ICAEW. With a number of such products becoming ICAEW- accredited, the times are changing.

Online accounting was only a matter of time; now that the technology is in place it's going to dramatically revolutionise the way accountants and their clients work together. Expect to hear more about this latest accounting trend in the future.