

December 2017

## The tech-savvy era of cloud accounting – Risks and benefits

*Maxine Laforest, CPA, CGA, is a senior manager at Collins Barrow SNT, who leads the e-accounting team.*

*Caroline Morin is a manager at Collins Barrow SNT, who specializes in indirect tax.*

*Julie Chrétien is the marketing coordinator for Collins Barrow SNT and a freelance translator.*

In today's increasingly digital world, having tools and programs that are as advanced as those of the competition plays a critical role in the success of any business. Cloud computing allows businesses to access their data anytime and anywhere via an internet connection, while reducing the headache of managing accounting records and transactions.

Cloud accounting, which has actively gained momentum and popularity in the past couple of years, seems to be transforming the world of accounting and quickly becoming the wave of the future, if not the present. Having found a way to simplify our work lives as we rapidly charge ahead to the next major project or account, cloud accounting has brought upon a new wave of challenges and opportunities for businesses. From social media to project management, the cloud seems to have revolutionized computing. Let's step in and explore the plethora of benefits it has to offer, as well as the potential risks.

### What is cloud accounting?

Cloud accounting applications are similar to desktop-based accounting software solutions. They offer the same range of capability with only one major difference: the applications run on remote servers and are only accessible via a web browser.

Typically, the applications are offered using one of two formats: hosted solutions or software as a service (SaaS) models. Hosted applications allow you to use your own desktop software and store your data on the provider's server. SaaS applications allow you to subscribe to gain access to the provider's software, using a remote session via the internet.

### Is it secure?

When it comes to vital and sensitive information, you want to ensure the safe storage of your financial data. Cloud accounting technology provides a more secure method of storing data, since

all data in the cloud is encrypted and password protected. "Cloud software vendors keep their servers in data centers in multiple locations under tight security," says financial writer Greg DePersio<sup>1</sup>. "Further, such companies continually run security tests, and some even simulate hacking drills to identify vulnerabilities and prevent data breaches."

Furthermore, since there are no physical hard drives, there is no chance of data being lost, stolen or destroyed in a fire or natural disaster.

### What are the benefits?

"Many business owners who migrated to cloud accounting technology have reported cost savings and greater efficiencies in day to day operations," says writer and business consultant Carrie Smith.<sup>2</sup> Here are the top benefits of cloud accounting:

**Ease of access** – Cloud accounting allows you to access your files from multiple devices, anytime, anywhere. With the introduction of this innovative cloud technology, there is no need to email files back and forth, and you can finally retire your USB flash drives.

**Less maintenance** – FinancialForce states cloud accounting requires far less maintenance: "The cloud provider completes the backups, updates occur automatically and nothing needs to be downloaded or installed on a company computer."<sup>3</sup> With the cloud completing most of the IT tasks, this leaves you more time to focus on developing business opportunities.

December 2017

## The tech-savvy era of cloud accounting – Risks and benefits

**Increased productivity** - According to statistics published in June 2017 by BlueHub, a complete cloud solutions consultancy and implementations specialist, 59 per cent of businesses using cloud technology report significant productivity benefits from their IT, compared with just 30 per cent of businesses that aren't on the cloud.<sup>4</sup> Offering flexibility, convenience, efficiency and a more connected workforce, cloud accounting vastly improves productivity, which increases profitability.

### What are the risks?

Like anything, cloud accounting is not without risk. There are as many downsides as there are upsides to cloud accounting. Here are the top risks associated with cloud applications:

**Law violations** – According to a technology spotlight article by CPA Canada<sup>5</sup>, “certain information stored in the cloud may be stored in contravention of Canadian laws, industry standards or contractual obligations of the business.” It is important to ask your service provider if the data is stored in Canada or elsewhere. You are responsible for ensuring the data complies with Canadian privacy law. Service providers are only obliged to follow the laws of the country where the data resides.

**Data retrieval** – Cloud accounting requires you to trust a service provider to hold on to your sensitive financial data. If you decide to terminate service and transition to another cloud software provider, you may not be able to easily retrieve or export your data. “If the company that provides you with cloud servers goes out of business, your servers are gone,” claims TechRepublic blog writer Thoran Rodrigues. “If your cloud storage provider goes under, your data will probably go along with them. Let's take the example of a cloud data storage service further: if your systems are deeply integrated with your storage provider – very likely in this age of automation

and rich APIs (application programming interfaces) – and that provider shuts down, it may be close to impossible to migrate your data, even if you have a grace period.”<sup>6</sup>

**Security breach** – Cloud accounting software is internet-based. Therefore, your data lives on the internet, making it vulnerable to cybercrime. “With the passing of time, technology is becoming more and more sophisticated and so are hackers, malware invasions and security breaches,” writes Merchant Maverick's Elizabeth Cranston. “Though most cloud service providers work extremely hard to keep up with the latest security measures, there is always going to be a risk that advancements in technology will come with advancements in hacking.”<sup>7</sup>

### Will it save me money?

According to business software consultants at BlueHub, more than 80 per cent of businesses have saved money by implementing cloud software. Cloud accounting applications are available on a monthly subscription basis. There are no start-up costs, no annual upgrades, no regular maintenance fees and no long-term commitments. “Companies that use cloud accounting require less initial server infrastructure to store data, and IT staff is not required to maintain it or update the cloud accounting system,” explains FinancialForce. “Fewer overhead expenses and no new software purchases mean greater savings for businesses.”

While some of us are on cloud nine with web-based accounting, others are still under a cloud of suspicion. If you are thinking of joining the modern and tech-savvy era of cloud accounting, do your research and identify the one that is right for you and your team.

*December 2017*

## The tech-savvy era of cloud accounting – Risks and benefits

**Maxine Laforest, CPA, CGA**, is a senior manager at Collins Barrow SNT, who leads the e-accounting team. She is QuickBooks Online Advanced- and Hubdoc-certified.

**Caroline Morin** is a manager at Collins Barrow SNT, who specializes in indirect tax. She has been working in the public accounting field since graduating in 2001.

**Julie Chrétien** is the marketing coordinator for Collins Barrow SNT and a freelance translator. With a journalism and television industry background, she is well versed in writing, translation and event planning.

### ENDNOTES

1. QuickBooks Canada
2. QuickBooks
3. FinancialForce
4. BlueHub
5. CPA Canada
6. Tech Republic
7. Merchant Maverick