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PRACTICE MANAGEMENT

Accounting in the Clouds: Is it all Hype?

The accounting software model is in the midst of a major transition toward the use of hosted, on-demand services. Some experts are advocating a switch to a purely online Software as a Service (SaaS) model, where data and programs are hosted in secure data centers.

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The accounting software model is in the midst of a major transition toward the use of hosted, on-demand services. Some experts are advocating a switch to a purely online Software as a Service (SaaS) model, where data and programs are hosted in secure data centers. Many industry leaders, including Sage, Intuit, CCH, Thomson Reuters and Microsoft, have advocated a switch to a model of some locally installed applications and some hosted services (also known as “software plus services”).

This hybrid approach, which has been adopted by many publishers, offers solutions that leverage the cloud for reach and flexibility, but connect into established on-premise systems for depth of features. For example, the Sage Non-Profit Solutions group recently announced ePhilanthropy, a web-based service targeted at nonprofit fundraising. While there are many successful products that use this model, including many banking and payroll applications, the demise of on-premise software will not occur overnight. Locally installed, Windows-based accounting software will, for the foreseeable future, dominate the small business market, and will be supplemented by online services that meet specific customer needs.

Allow me to restate my last point. Just as we still read print magazines, watch television, listen to radio stations and talk on landline telephones, Windows-based accounting software will continue to exist far into the future, although how it is used will change significantly. More simply (with apologies to Mark Twain), the rumors of the imminent death of Windows-based accounting software are greatly exaggerated.

The area of software that will change is in how accountants and clients work with each other, and how both groups will interact with business management applications. Having access to the same data, the same user interface, and being able to see non-verbal cues using webcams along with video conferencing tools like Skype, GotoMeeting or NTR Support will revolutionize how we work with clients. Although conferencing services won't replace face-to-face conversation, it will allow us to collaborate more frequently and will make it possible for us to read both verbal and non-verbal messages when communicating with clients and team members.

A recent trend I've noted is the use of specialized applications and services to manage specific tasks instead of having one application that solves all business management issues. Services like Sage BillingBoss/PaymentsBoss, FreshBooks, SmartVault, BigTime by Edison's Attic, and Bill.com make it possible for users to manage information from anywhere, and then integrate with an accounting application after the fact. I recently used one of these services to bill and collect an invoice from a foreign client (using a payments service) and was impressed by its simplicity and ability to send invoices in any format — e-mail, PDF, web or "snail mail" — and how much easier it made receiving the payment. My client also remarked that he was impressed with how easy it was to receive and pay the bill online with a credit card instead of having to write and mail a check. (Any service that makes clients want to pay their bills earlier is going to be popular in accounting and consulting practices.)

We've all heard the hype about web-based applications and services, but another technology trend I'm seeing more often is the use of applications that are hosted on Windows servers in a secure data center. Thomson Reuters has offered its CS Suite of applications in a hosted environment as Virtual Office CS for some time, and CCH's Next Generation platform offers hosted or local deployment of the applications. One of the real advantages of these platforms is that you can run the application locally or you can run it from the publisher's hosting facility. Assuming you have proper backups of your data in multiple locations, you can either switch from hosted to local installation or in the event of an extended emergency (e.g. Hurricane Katrina),

you can switch from locally installed to hosted applications so that your users can work from remote sites until you or your client can get back into your office.

In addition to these software-publisher hosted offerings, I'm seeing companies like Right Networks, MyOwnASP and CPAASP/InsynQ enter the market with hosting for Windows-based end-user accounting applications like Peachtree, QuickBooks and Dynamics GP. These offerings make it possible for clients to work on their accounting software from anywhere and still have their data stored in a secure hosting facility, with easily available redundant power, Internet and hardware in the event of a failure. We still recommend making backups of data, but we would back up the data on the remote hosted server to our local computer so that the data exists in two physical locations — the master copy in the secure data center and the backup copy stored locally on your servers or backup drives.

The hosting companies aren't limiting their offerings to just single applications, however. Many small practices find that the time and expense of maintaining a full-functioning network is overwhelming. Given the increased security requirements mandated by standards such as the Payment Card Industry's Data Security Standard (PCI-DSS), the IRS regulations under IRC §7216, HIPAA, and other laws and regulations, some organizations are having entire Windows desktops created and hosted in a secure data center by these hosting companies. These offerings support multiple monitors, work on almost any operating system, and make it possible for owners and employees to access their applications and data from anywhere. Moving the data, applications and processing to a hosting company eliminates much of the need for a local server for many small firms and can reduce total technology expenses for many firms.

Many hosting companies have robust infrastructures with multiple years of experience hosting common tax applications (Lacerte, ProSeries, Drake, TaxWorks, etc.), common accounting software applications (Peachtree, QuickBooks), and productivity suites (Microsoft Office, Exchange and SharePoint). Even if your firm has ruled out using hosting as a primary technology strategy, you should consider using hosted services in the event you lose access to your offices for an extended period of time as part of your business continuity plan.

Many end users have seen the trend toward "Software and Services" evolving over the last few years. Although the predictions of the imminent demise of traditional accounting software are greatly exaggerated, there are some cloud services that are here to stay and that provide many of the benefits of web services without the need

to adopt a different user interface. The move to supplement accounting software with hosted services and the option of having Windows applications or entire desktop environments hosted in a secure facility is a trend that practitioners and end users should evaluate as part of their overall business and technology strategies for the future.

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