



Buyers Guide
to Cloud Accounting Software

ACCOUNTS 

Introduction

Cloud technology is powering the newest and most advanced accounting software. The new cloud accounting solutions provide a wide range of core accounting functionality as well exciting features that can be game-changers for both accountants in business and in practice. Such features include productivity and workflow improvements, out-of-the-box consolidation, and business intelligence and analysis capabilities. Cloud accounting software also offer improved operability and deployment features such as APIs (Application Programme Interfaces) for integration with third party software such as CRM, EPOS etc.

The cumulative effect of these innovations has been to create virtual business management platforms with cloud accounting software at the centre. This helps improve the availability of data, serves as an aid to decision making, streamlines operations and ultimately can provide a real competitive advantage.

Today's cloud accounting software providers come in two guises. The first are those traditional software names who have adapted their products for online accounting, some with varying degrees of success. It's not necessarily the case that they are trying to pass off their software as cloud accounting software, it's just that they have had to adapt their software for the cloud rather than design it from scratch.

The other type of provider is the true cloud accounting innovators who have built their solutions specifically for online accounting, offer genuine technological benefits, and are therefore well placed to take advantage of cloud technology.

This guide is intended to provide a quick guide to the accounting software buyer who might be trying to plot their way through the research and buying process.

1. How do you know when it's time to change?

As businesses grow in organisational complexity, expand geographically or increase transaction volume, they may find that their legacy accounting system can begin to creak. This creeping obsolescence can be slow and often imperceptible, but over a period of a few years, systems that were once fit-for-purpose can seriously impair business performance.

So what therefore are the warning signals that indicate that your accounting software is no longer fit for purpose? What are the things to question? And how should you approach the formal evaluation of a replacement?

Greater complexity is slowing Month End:

Your business has grown to the extent that you are now trying to manage a number of separate subsidiaries or branches, some of which may well be located at a distance from your main office. Retrieving the right data and consolidating them at month end could now be a real drag if you don't have the right accounting system.

Spreadsheets seem to be taking over your company:

Excel is a great tool to allow the extraction of data from your accounting system for analysis and the creation of reports. The conversion of data to useable information can be critical to giving your business the edge it needs to survive. However, if you find you are relying too much on excel to manage your accounting data then you run the risk of poor productivity, duplication of effort, and ultimately slow and poor quality decision making.



You're losing visibility and control of performance

Again, your legacy system may be struggling to cope as the scale of your business increases through the addition of new customers, new products, new markets or new suppliers. The job of staying on top of your key performance indicators is proving a real challenge. What you might need is a switch to a solution that provides in-built business intelligence that helps you to record and visualise key performance data.

Your staff is telling you

It might seem obvious but if you are starting to get fed up to listening to staff complaints about system fall-overs, manual re-works or system slow-downs then maybe it's worth checking it out properly.

Integration and compatibility is slow or even impossible

You find that you are struggling with the job of integrating your accounting software with other applications in your business, or indeed that your software is frequently incompatible with your other IT systems and operating software.



If it's becoming increasingly difficult to integrate systems such as CRM, EPOS, and eCommerce platforms then maybe it's time to look at Cloud Accounting Options

2. The Buying Team

The first step in the process is to appoint a person or team with responsibility for researching and selecting the cloud accounting system. The size and range of functions represented on the buying team will depend on the size and complexity of your organisation. In larger organisations, the buying team should be cross-functional and therefore should include senior members from a number of departments including:

- **Finance / Financial Accounting**

Obviously executive(s) from the finance department will bring their financial accounting experience to bear and as the main users of the software, their expertise and knowledge of the firms accounting processes will have an important bearing on the decision.

- **Information Technology**

The IT executive will provide expertise on the integration requirements with the other software in use in the business. They will also have an understanding of the firm's IT infrastructure and associated costs and their guidance through the IT issues will be critical.

- **Operations**

The operations executive will also need to apply their specialist knowledge to the decision making process. Their input will centre on the impact or potential impact of any accounting software on the day-to-day operations of the business processes. Even better, the Operations Executive should be in a position to be able to understand how any solution under consideration can innovatively support their operations functions.

Some organisations may also choose to add representatives from their legal team, marketing team (to represent the voice of the customer), and obviously the procurement team.

Buying Team Governance

Very often it is useful to provide some form of committee oversight of the buying team progress. This might be the Board of Directors or a sub-committee of the Board or the senior management team. The main role of this oversight committee is to ensure that due process is followed correctly, project milestones are being achieved in a timely fashion, and to provide guidance where required.

When a final selection has been made and a recommendation put before senior management, confidence in that recommendation will be higher if the buying team has followed the correct process and the oversight committee can verify that.

3. Internal Analysis:

The Specification:

The first step on the buying team to-do list is to create a software specification. This involves an examination of the company's current and future accounting processes and needs. Clearly, the results of this investigation will be the most important determinant of functional requirements and is therefore critical to the success of the project.

The main steps in the specification design are:

- Draft initial specification structure using key function/feature heading and sub-headings
- Leave options under each heading for any other custom features that colleagues might have.
- Draw up a list of key stakeholders across your organisation who need to be consulted
- Consult with key stakeholders using your draft headings as a guide. Classify each functional requirement as essential (i.e. must be included), optional (i.e. should be included), or desired (wish list).
- The resulting specification should now include the list of features with a prioritisation of importance to all stakeholders.
- The final specification list should be signed off by all stakeholders or their representatives.



Specification Headings

The following is a quick guide to the key headings that could be included in this specification. It is only a top line list and obviously stakeholders will need to be queried on specific detailed requirements under each feature:

- **General system requirements:** e.g. data storage, security protocols, hosting service etc.
- **User access and control:** e.g. User management and control, access permission, concurrency.
- **Multi-entity administration:** e.g. number of entities, users, third party collaboration etc.
- **Group Consolidation:** e.g. multi-currency, intercompany balancing, minority interests.
- **Business Analysis:** e.g. financial performance data, kpis, customisation, dashboards
- **Integration:** e.g. Ease of system integration (CRM, EPOS, ecommerce) and data integration.
- **Accounts Receivable/Debtors:** e.g. No. invoices, multi-location customers, foreign exchange
- **Accounts Payable/Creditors:** e.g. Purchase order processing, No. supplier invoices, control accounts
- **Cash & Bank:** e.g. Multiple bank accounts, bank reconciliation, cashflow management
- **Sales Order Processing:** e.g. Standard pricing, multiple pricelists, bulk pricing
- **Purchase Order Processing:** e.g. line item processing
- **Margin Analysis:** e.g. Reporting requirements (By dept, region, sales team etc.)
- **Stock/Inventory Management:** e.g. Stock locations, stock tracking, stock transfers
- **Project Accounting:** e.g. Time, expenses and third party supplier costs by project
- **General Ledger:** e.g. coding structure, categories & sub-categories, month end capabilities.



Other Information Requirements:

Armed with a well drafted and detailed specification document, the buying team are now in a good position to begin the information search. However, it might also be useful to consider the following to support the specification:

Documented Workflows

In order to develop a shared understanding of the work processes that could or should be supported by the new accounting software, it would be useful to provide diagrams of the main workflow processes such as purchase-to-pay, sales order processing, month-end consolidation and so on. Try to identify any bottlenecks in the processes, and their causes, that could be fixed or streamlined through software enabled automation. They might be caused by slow manual processing, poor collaboration, mis-communication etc. Importantly, by identifying the root causes of the problems, the software functionality required can be identified.

All User Roles and Profiles

A list of all current and potential users (such as Accounting Practice staff), invoice and payment approvers etc. should also be created.

Sample Reports and Wish-listed Reports

A sample of all reports required from the system as well as a wish-list of all desired reports will help ensure that the reporting features provided by candidate systems will fit the bill.

Compliance or other Regulatory Requirements

All relevant internal and external experts should be consulted regarding tax, reporting and other industry specific compliance requirements that the new system will need to facilitate.

Performance Specifications

Whilst the specification document might already list a lot of quantitative information regarding the desired performance capacity of the system, it is also useful to list these separately as a parameters within which any solution must perform.

These might include hosting and security metrics, data storage, volume of transactions and so on. Current productivity performance measures can also be included such as number of supplier invoices processed per hour/day etc. With a measure of current productivity, the potential of any system to improve productivity can be assessed.

Costs

A full understanding of the total cost of ownership should also be well documented. This will include the cost of the current software, maintenance and upgrade costs, additional user or installation licenses, IT costs including IT infrastructure (server and server maintenance) and any other supporting software costs. Also include an estimate of internal support staff costs, including IT support staff if appropriate.

Business Analysis

It is also important to understand and document the business needs, at all levels of management, for business intelligence data and analysis. A lot of good cloud accounting systems will include extended business analysis features to allow users create their own business performance metrics together with dashboards and reports to present clear and concise information as an aid to decision making. A complete list, with a classification of essential, optional or desired functionality is important to ensure that the business capitalises on the very latest accounting software capabilities around business intelligence. It might also be a useful exercise to prioritise the business intelligence needs to help in the selection process.

Support Needs

Finally, the support needs of the organisation need to be fully understood (historic support needs) and an assessment of possible future needs. Ask your current software provider for a report on the number and nature of support demands that have been made. The support services of prospective providers can then be evaluated from a realistic perspective.

Try to future-proof your business – It's really important to try to understand the needs of the business in relation to what the latest software solutions can offer now, and how the needs of the business are going to evolve in the future. This might require consultation with the organisation leadership team as many future plans such as acquisition, geographic expansion or new product development may be subject to confidentiality.

4. The Selection Process

The next step is to define and agree the research and selection process. It might seem obvious but it's important to list the key steps in the selection process to ensure that all candidate systems are put through the same selection steps and selection criteria.

The key steps in the selection process are:

Desk Research – Conduct an initial scoping of the market by using online resources, professional organisations (such as ACCA, ACA, ICAEW), and industry information sites

Long-list – Through the desk research stage, a long list of suitable software providers and their solutions should be drawn up. To evaluate providers online you can check factors such as:

- Number of years in business
- Quality and nature of existing clients – particularly accounting practices
- Financial stability
- Stable and /or growing employee base
- Respected management team

To evaluate their software you can again conduct online research or make direct enquiries where supplementary information is required. Your long list should contain the list of solutions that, upon initial inspection, hit all of the essential requirements in the specification, as well as meeting as many of the optional / wish-list needs as possible.

Vendor Consultation – The specification document can be converted into a Request For Proposals (RFP) document and sent to selected long list vendors for their completion. This can then be supplemented by a demonstration bearing in mind that many cloud accounting software providers might offer to do this remotely. Part of the vendor consultation process should also

(e.g. www.accountingweb.co.uk). There are also professional firms who can provide consultancy and advice to help you through the selection process.

include examination of available case studies, videos, client testimonials and other third party references.

Trial – Many software vendors offer the opportunity to conduct a free trial of their software. Whilst a free trial is a useful way to evaluate the appearance and ease of navigation of the software, in reality it is difficult to conduct a proper trial of the software without using actual data over a prolonged period of time.

'What-if' Scenarios: A good way to understand the flexibility and capabilities of the software is to use the workflow processes that have been previously documented. These can be used to investigate how well the software deals with each process. Similarly, added 'what-if' scenarios can be designed and used to test the software.

Post Trial Vendor Consultation – Use this period to investigate particular features or functionality or to ask the vendor supplementary questions that may have arisen during the trial period. It is important for all steps of the process to be conducted across all vendors consistently and for all results to be methodically and consistently recorded. With the passage of time over the process, it's easy to forget, or mis-remember key information along the way!

Vendor Engagement – A final selection of one preferred (and possibly a second) provider can then be engaged directly to clarify and confirm the processes of:

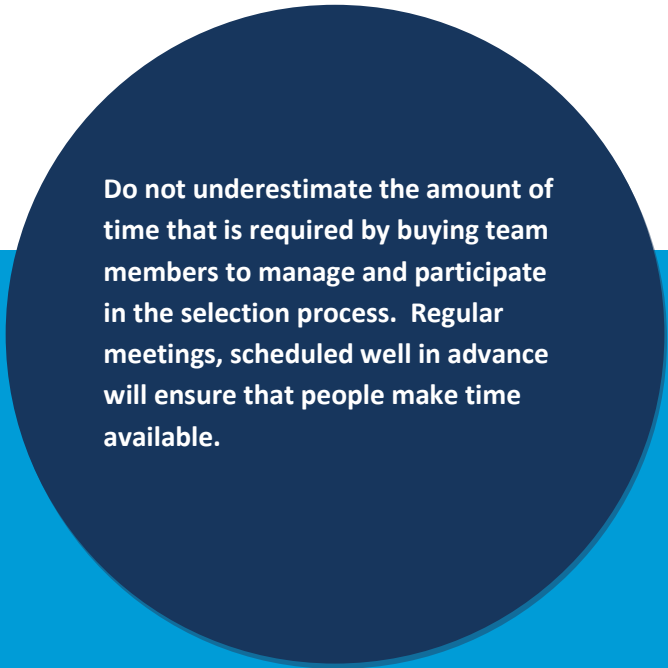
- contract details,
- payment options,
- deployment,
- integration,
- training
- support
- reference checks

Remember, unless you are a very large organisation and likely to be a significant client in terms of sales value to the vendor, then the vendor will probably use tele-conferencing facilities to engage. This shouldn't be an issue as it is now an established feature of buying most Software-as-a-service solutions.

Decision and Contract – Hopefully, at the end of the process, the team will feel informed and knowledgeable enough to make a selection decision. Final selection and agreement with the software provider will include: features to be purchased, contract agreement, agreed training plans, support contract, deployment plan, integration and payment plan.

Contract and service level issues to consider include:

- Key vendor contacts and their details
- Access to features or modules
- Product availability (up-time)
- Support communication, response times and escalation process
- Legal entities, users and concurrent users
- Upgrade plans and access to upgrades, product road-map
- Payment plan and contract renewal



Do not underestimate the amount of time that is required by buying team members to manage and participate in the selection process. Regular meetings, scheduled well in advance will ensure that people make time available.

5. Cloud Options

As mentioned in the introduction to this Guide, not all cloud accounting solutions are based on the same software-as-a-service (SaaS) model. The following is a brief guide to some of the alternative models that are available:

Type	Description	Key Points
Hosted single tenant SaaS	On-premise software provided through a third party hosting service. (There is not a single version of the software but each client has their own version hosted by the vendor)	Customer can make modifications to the software but vendor modifications have to be applied to each client individually.
Hosted Multi-tenant SaaS	A single version of the software that all customers use.	Major modifications are not possible but customers can tailor to suit their needs. The vendor can easily upgrade all clients at once.
Private cloud	On-premise applications that are hosted internally by the customer on their internal cloud infrastructure	Provides total control of hosting and software. Requires significant IT infrastructure investment and maintenance.

Clearly, the one of the jobs of the Buying Team is to understand what kind of Cloud model is acceptable to the business and which then provides the best option.



The Cloud Accounting model means all staff can have simultaneous access to the most up-to-date financial information in your business, no matter where they are located or how in how many different subsidiaries, locations, outlets, or branches.

6. Hosting and Security

By using a cloud based service you avoid no upfront license fees, no investment is required in IT infrastructure, and your maintenance and upgrades are usually automatically included in your payment.

An assessment of any hosting service should ensure we understand that security is a paramount concern for any business, and we take our clients' data security extremely seriously. That is why AccountsIQ security is based on a sophisticated, multi-layered security model and a set of important safeguards, to protect your data online.

At a minimum any software provider should include the following in their hosting and security offering:

- A robust and tested product architecture
- Top-level firewall protection against intrusion
- Automatic daily or nightly data backups to a remote backup facility
- Failover datacentres
- Facility Security:
 - o Biometric scanning and electronic key access for internal security
 - o CCTV camera coverage of entire facility, including cages
 - o Back-up generators and UPS (uninterruptible power supply) systems

- Automatic alarm system notification of law enforcement agencies
- Shipping and receiving area walled off from hosting collocation areas
- Systematic monitoring of the latest security patches and anti-virus updates and their immediate implementation where necessary
- Best practice procedures and systems for data security, facility security and user security
- SSAE 16 compliance (previously certification was SAAS 70 Type)
- Segregation of customer data

7. Senior Management Alignment

Whilst the buying team may have had the authority to make the final selection, in many organisations senior management will be required to approve the decision. In order to sell the decision to senior management, a presentation of the key findings of the process and rationale for the selection will be required.

As well as inclusion of the key findings, a business case should also be provided detailing all relevant costs and savings involved together with an evaluation of return on investment (ROI).

About AccountsIQ

This article is brought to you by AccountsIQ, cloud accounting and consolidation software for mid-size companies, particularly those with multi-entity or multi-location needs. Built for the cloud, AccountsIQ is in use in 23 countries and is now the solution-of-choice for many the worlds' leading accounting practices.

For further information on how AccountsIQ might work for your growing business please feel free to contact us and we would be happy to discuss your needs.

Email : sales@accountsIQ.com Web: www.accountsIQ.com

UK: +44 (0)7714 426766 Europe: +353 (0)1-707 4490