

5 reasons to move your accounts to the cloud

Mark Kingston: Hi, I am Mark Kingston and today's topic is a really interesting and very timely one; what is cloud accounting and why should it matter to my business? I am joined today by Matt Williams, one of the Partners in our Business Team. Matt, really good to have you.

Matt Williams: Hi Mark, thanks for having me.

Mark Kingston: We thought that we would just dissect this topic by giving people five reasons why cloud accounting is important, but before we do those five, could we just demystify what cloud accounting actually means.

Matt Williams: Indeed, so this is using modern software, this is software that is based in our internet browsers, on servers around the world, that store the data up in the cloud, there is various types of software that are doing this, the obvious ones are Xero, Equipment Online, Sage have got an online offering, Free Agent, Recon, there is lots and lots of software companies that are kind of cottoning on that the way that industry is moving is to not have your bookkeeping kept on a hard disk on one computer in the office, that is the accounts computer, but having them open up.

Mark Kingston: Or, as we have seen, sometimes not even on the computer at all

Matt Williams: No, on a cashbook or bag of receipts, so moving light years ahead of all of that into live data on your phone, on your iPad, on a laptop, wherever you are, letting business owners have some visibility of the numbers in their business.

Mark Kingston: Ok, and you have mentioned the different cloud based accounts, some of the cloud based accounting offerings, for the purpose of this discussion we are going to refer Xero partly Matt, because I know you use it extensively yourself as an accountant business advisor, but partly because as owner of a small business myself, I am on Xero, so it's the one we know best.

Matt Williams: Indeed, yes, and it also the most widely used now, so we are gold partners with Xero, we have got a lot of clients already using it and are very happy with it. Xero as a company now have a million business users worldwide.

Mark Kingston: WOW!

Matt Williams: Five years ago they had 50,000, so imagine the growth they have had is amazing.

Mark Kingston: It's enormous, so that speaks of the satiability and the quality of the platform.

Matt Williams: Indeed

Mark Kingston: Ok, so let's dive into our five reasons, and in no particular order, the first one is that information is live to everyone who needs to see it.

Matt Williams: That's correct

Mark Kingston: Tell us a little bit more about that

Matt Williams: So the way Xero works, because it is in the cloud, you can invite people into your data, so typically, that would be the financial people in your business, may be the other directors, or if you have an internal bookkeeper, then they would have access, or if you have sales staff they might have access just to the sale side of the information, and also myself and my team would have access. And the fact that we are all looking at the same data at any point means that my team can look, you know on a Monday morning we will look at, we get a dashboard within the system that lets us see what our clients are up to within Xero, who might have lots of, a bit of backlog with their booking, or who's VAT returns are due soon, we can also got in and look at opportunities or maybe issues with the numbers in a business and have a conversation with our client before maybe our client knows those figures, have issues

Mark Kingston: So you can get the problems, or cease those opportunities early

Matt Williams: Absolutely, this is really good for proactive tax planning,

Mark Kingston: Now this is quite different to the old way, because if you had wanted to get a snap shot of the accounts in the past, before this was available, it was a lot harder right.

Matt Williams: We have to ring up the business owner and ask them to send us a backup of their system and then restore it to our, it's one of those things, by the time you have done that, it limits you to being able to do that for your whole client base, where at the moment this dashboard that we get lets us go in and see that data really quickly, really easily, so it makes us as a firm more proactive but it means that our clients get a better service from us because of it.

Mark Kingston: And that leads on our second point which is accessibility and usability. You made the point earlier on Matt that I can see it on my computer, I can see it on my Smart Phone and you as the accountant, or my sales team, or whatever, we **can** all see it on different devices as well, so that ability to access the information, and access it in a way that makes sense to normal ordinary non-financial people.

Matt Williams: That it, you can actually, my wife was accessing her Xero data on our Smart TV last week, so basically as long as you have got an internet browser connected to whatever device you are on then you can access these cloud based.

Mark Kingston: And Xero do an app as well for the Smart Phone

Matt Williams: Yes they do an app specific and because of this, it means that you can, and we find this from anecdote evidence from our clients, you can use Xero when, you know are in the back of a cab on the way to the station you can be reconciling your bank, or chasing people, you know chasing debtors, or entering invoices. You know, if you are in a coffee shop and you see someone

take a photo of the receipt as soon as they get it, it means that they are probably on Xero or one of these other apps and they are doing their bookkeeping as they are going. The days of white van man having dashboard for the receipts are gone, the smart white van man takes a photo of it on his phone and screws it up and puts it in the bin.

Mark Kingston: So that's, I mean that's a massive time saving, is it cost saving presumably? I mean, I know for of example I don't need a bookkeeper because I can do it all myself because it is so easy, and I mean as an example Matt I use a direct debit service called Go Cardless which is excellent, I am sure you have seen it.

Matt Williams: Yes, that feeds directly in.

Mark Kingston: That feeds directly in, so it would even would generate invoices for me if I set it up that way, which I haven't yet, but I am getting there, and this is the point that the technology is moving so fast that the advantages of being on a technology platform as opposed to not on one is quite a big difference.

Matt Williams: It's massive. Yes, and Xero in particular, it has got an open API so it plays nicely with lots of other software developers. So we have lots of cafes, shops that have electronic point of sales systems that feed directly into Xero, so if you imagine that a shop doesn't have to reconcile its cash takings or anything like that, it just pushes a button on their till at the end of the day and feeds it in,

Mark Kingston: Goodness me

Matt Williams: And lots of third parties, so Go Cardless, and umm

Mark Kingston: Or even interfacing I have seen people use this where before they go out and see a client they can, the sales person can get a snapshot to tell them where that client is in terms of their accounts, sorry not their accounts but their account with you as your business

Matt Williams: Correct

Mark Kingston: So there is also benefits, that's really our third advantage, isn't it, which is integration with other systems that your business relies on.

Matt Williams: Yes, so the story of why, my first interaction with Xero, which I haven't told that many people actually, but I had a plumber come to my house, and he finished the job, it was a fairly small job, he finished, he asked me to sign off the worksheet on his iPad, pushed a button and that was an act that was linked to Xero and then within seconds his iPad had spoken to Xero, Xero had generated the invoice and sent it to me on email, and his app on his iPad was telling him where to go for his next job,

Mark Kingston: Oh well

Matt Williams: And so, you know, it was probably a 12-13 man plumbing outfit, but they were using technology three years ago,

Mark Kingston: It bearer to help you perform better

Matt Williams: It did, and I got his invoice via email and it had a little link at the bottom to say pay me now, and so I clicked that and paid him straight away, and so he gets paid quicker which I think other than installation that's our other, one of our other main points

Mark Kingston: You get paid quicker

Matt Williams: Yes

Mark Kingston: Now that's partly because Xero makes it easy, all these cloud accounting platforms make it easy for people to pay, but you are making the point that it is also because people are paying more attention to what is going on in their accounts

Matt Williams: Yes, so there are two reasons we see that client's cash flow improves by using these systems. One is that they are interacting with them more, so it is not a closed system where I have got and reconcile my bank on which ever desktop application I as using, they are in it, you can, you know, Xero because of its nature and the fact that it is integrating with other systems, you know people are using it as a tool much more proactively. But also, if you invoice people through Xero it generally sends it electronically, so you would email your clients and it tells you when they have opened it, so you miss that whole issue of it going via Royal Mail and people not receiving invoices, or telling you that they have not received them, you can see that they have received it, you can see that they have opened it and its one click away from then sending them an email reminder or sending them a statement, and it just speeds up that whole process and there are third party apps which will take it to the next level as well. And because of that, clients, you know, it's like that story of me and plumber, it's easy to click on a link and put your card details in, because it will work with your mergence services terminal, so you know, you can take credit card payments directly through the system, it just generally clients that using Xero are getting paid 10 to 15 days quicker than client that are not.

Mark Kingston: And which as we know for any, particularly the smaller side of small business, cash flow is king

Matt Williams: Yes, absolutely

Mark Kingston: The more predictable and quick you can get your money in the better, right

Matt Williams: Absolutely

Mark Kingston: Now the last one, just before we rap up, Matt is arguably one of the more important although we know least about it in a way, so this is the whole making tax digital. Could you just briefly outline what that is, because I know we will be talking a lot more over the coming weeks and months ahead.

Matt Williams: Indeed, so making tax digital like you said, its coming online next year for certain businesses. Certainly by 2020 we envisage that almost our entire business client base will be involved in this system. And this making tax digital is HMRC's way of requesting regular information from its tax payers, so where VAT registered businesses are now filing quarterly VAT returns, you as a business will be filing a quarterly tax report to HMRC, so they can understand what your business is doing. You are not paying the tax at this point, but you are reporting on your profits so that they can get kind of get an idea of what your tax liability might be,

Mark Kingston: Yes

Matt Williams: And Xero and these other cloud base, because they are already interacting directly with HMRC with the VAT returns and payroll reporting it is very easy for the developers to switch on their ability to send these making tax digital reports, whereas if you are still running your business off of a manual cashbook you are going to have to then go into a HMRC website, create the information in a sort of style and format that they want and then send it on, so using these cloud based

Mark Kingston: So that's another example of an advantage

Matt Williams: Absolutely, I imagine if in three years time you are not using some kind of cloud based software you are going to be behind the times compared to your competition.

Mark Kingston: So thank you for those, to summarise those up for our listeners, the first is that cloud base accounting matters to my business because it is making the right information available right now to everyone who needs to see it.

Matt Williams: Absolutely,

Mark Kingston: That they way in which it makes that information available both in terms of accessibility across different platforms but also the usability of the

interface is extremely good, which then empowers me as a business owner to do more things.

Matt Williams: Correct

Mark Kingston: That you mentioned that we get paid quicker because I am paying more attention to the accounts but also it is easier to do online payments. There is the fourth point which is about integration with other systems that your business already be relying on, or move to rely on soon and then the final one you were articulating Matt, was the whole making tax digital, not just conversation, but big change in the way we do things,

Matt Williams: Yes and if we are having this conversation in 2020 that's going to be absolutely the number one

Mark Kingston: The number one reason. Well Matt thanks ever so much, I hope we get the chance to dig a little bit deeper into cloud accounting and Xero particular, but for now you have been most helpful. Thank you very much

Matt Williams: You are welcome

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