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CHARTECH SOFTWARE PRODUCT GUIDE



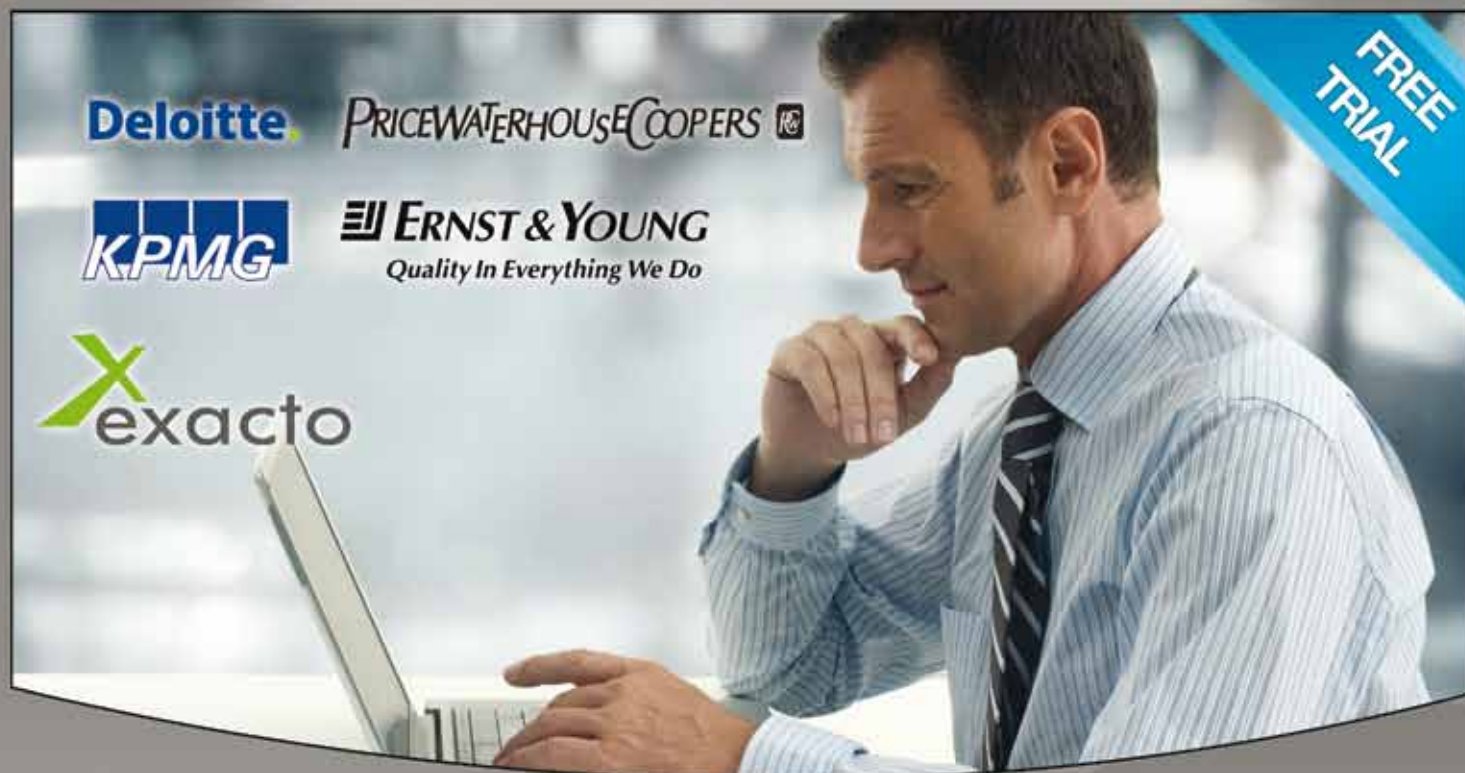
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ONLINE ACCOUNTING SOFTWARE

CHARTECH SOFTWARE PRODUCT GUIDE

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BY LESLEY MEALL

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1 INTRODUCTION

When the first online accounting applications hit the marketplace back in the 1990s, the world was anything but ready for them. Many people saw the internet as a scary technological equivalent of the 'Wild West', broadband connections were scarce and costly, and very few businesses were in a position to exploit the online approach to accounting, even if they wanted to – and very few did. But things have changed a lot over the past decade or so.

Many of the technological and psychological barriers to online accounting have fallen away. The internet has evolved, from a network that connects millions of computers, into a network of interactive computing platforms (often loosely described as the cloud); this has spawned myriad pay-per-use and free online services, and we have embraced them. Many of us are now as happy to collaborate, communicate, share and store information online as off, and struggle to manage our personal and professional lives without internet access.

We apply for jobs online, bank online, and communicate with friends, family, colleagues and clients, using a variety of different devices (from laptops to mobile phones) to access an ever-increasing range of 'cloud-based' software and services. So, although plenty of organisations still buy accounting software and install it on the hard drives of their own computer systems, increasing numbers are keen to explore the possibilities offered by online accounting – or are already doing so.

All of this has helped to create an expanding and competitive market for online accounting services, but this is a mixed blessing; exploiting the latest and greatest technology is not always as straightforward as it could be, or as simple as the marketing hype would lead us to believe. So this guide aims to simplify and speed up the selection process, by helping financial professionals to assess the potential benefits of online accounting – whether they are accountants who are business managers, accountants advising business managers, or accounting practices that are interested in exploiting the online accounting approach to enhance revenue-generating opportunities and client services.

In common with other cloud-based services, the online approach to accounting systems has many potential advantages, such as accessibility, flexibility, scalability, fixed costs, and rapid implementation times, and you can read more about these in Section 2: Benefits. But nothing is ever perfect (and online accounting is no exception) so as well as considering the advantages of the approach, it is important to pay attention to thornier issues such as information security and privacy, and you can read more about these in Section 5: Risks and Rewards.

Not all online accounting applications have been created equal, and a system that is right for business 'A' will not necessarily suit business 'Z'. Features, levels of complexity, and pricing models all vary between products and suppliers, and accountants will need to consider a range of key selection criteria during the research and selection process. These range from product-specific criteria such as features and flexibility, to the relative merits of purely online accounting systems and the online variants of traditional on-premise systems. You can read about this in Section 4: Choices.

Among the many online accounting and bookkeeping systems available, offerings range from entry-level products aimed at business people with no bookkeeping experience, to more sophisticated systems aimed at businesses with in-house finance expertise, and this guide will list a selection of them in Section 7: Supplier Directory. It will also take a closer look at some of them in Section 6: Reviews of Online Accounting Packages, where you can find out more about the following systems:

- FinancialForce.com;
- Kashflow;
- Liberty Accounts;
- Liquid Accounts;
- Twinfield;
- Xero.

No discussion of online accounting systems can take place without mentioning the underlying technology. So, whether you are trying to understand terminology such as 'cloud computing' and 'Software as a Service', or grappling with broadband connections and browsers, you will find technical terms of reference and concepts explained in clear, non-technical language, in Section 3: Concepts.

With the support of this guide, finance professionals who are considering online accounting should be able to approach the decision-making process from an informed position, with an appreciation of the pros and cons, practical considerations, and financial implications of the choices they make.



2

BENEFITS

Accountants have a history of exploiting information technology, and our enthusiasm for the spreadsheet helped to kick-start the personal computer revolution back in the 1970s. But many finance professionals are as prudent with technology as they are with other people's money, and over the past decade they have watched from a safe distance while more adventurous accountants took a walk along (and sometimes over) the bleeding edge with online accounting systems.

2.1 ADVANTAGES OF ONLINE APPROACH

For many accountants there is still a yawning chasm between appreciating the potential of cloud-based applications and making the leap of faith required to use them. But developments in technology and economic pressures have combined to make the potential business benefits difficult to ignore, and in an era where the electronic filing of statutory returns is increasingly the norm, online accounting now seems less like a 'big risk' and more like an idea whose time has come – bringing some significant business benefits along with it.

On a practical level, using the internet to access and maintain business accounting records can make tasks such as bookkeeping, accounts production, and payroll administration – and the associated statutory compliance – much easier for everyone involved. The online approach can also eliminate many of the tasks associated with installing, updating and maintaining the hardware and software needed to run traditional 'on-premise' applications (from back-ups to system upgrades), and reduce the need for in-house IT expertise.

All of this can have a positive impact in areas such as time management, productivity and flexible working practices. With accounts data stored on a third party server it can be remotely accessed anytime, anywhere, by any authorised individual with internet access and a browser, and accounts can be worked on whenever and wherever it is most convenient, using any device with internet access – even your mobile phone. So those who need to, can share information quickly and easily, which minimises the need for re-keying and the potential for input errors and misunderstandings.

The online approach also has financial benefits. Saving time and working more efficiently can obviously save money, and being able to upgrade your hardware when it suits you (rather than when it suits the software supplier) can help to minimise your equipment costs, but you can also look forward to some harder financial benefits. Because you are effectively 'renting' software and data storage, the up-front costs are lower, and the associated monthly/yearly costs are easier to control. But it is a good idea to look beyond the obvious. Although the relatively low monthly charges for an online accounting service may seem to compare well with the purchasing, licensing and upgrade fees of an on-premise solution, even monthly rental charges add up when you are paying them over a significant period of time.

2.2 GETTING CLOSER TO CLIENTS

Perspective is everything, and some of the potential benefits of online accounting will rate higher with some users than they do with others. So accountants in practice, for example, will be pleased to find that they and their clients can work simultaneously on client data, without worrying about incompatibilities if they are using a different version of the accounting software. Practitioners can also exploit online accounting systems to take a more pro-active approach to offering advice and services.

Because the accountant can log onto the clients' accounts at any time, it is easier to spot when they are going wrong or getting behind, and offer advice on key transactions, so online accounting can facilitate better bookkeeping support. It can also create a basis for all sorts of revenue-generating opportunities, such as providing real time transaction and tax planning advice, producing timely management accounts from clients' raw accounting data, and offering a range of virtual FD-type services.

2.3 BENEFITS FOR THE SMALLER BUSINESS

Businesses of all shapes and sizes can potentially benefit from online accounting, but the biggest beneficiaries are often the smallest organisations. Because it is easier for practitioners to access the information they need to produce clients' monthly management accounts, reports, annual accounts, and so on, they can also make any necessary amendments more easily.

This can be a boon to small businesses, as they no longer need to key in their accountants' adjustments, or worry about what will happen if they have not done so accurately. And while accountancy firms may already have strong business continuity measures and information security procedures in place, many of their small business clients will not, so the online approach to accounting can offer big improvements in these areas too.

How much accountants, and the businesses they support, actually gain from adopting online accounting depends on many factors, ranging from their choice of service provider, through the system in use, to how extensively they allow this to influence the way they run their businesses. It is up to you; but as you will realise, by the time you have finished reading this guide, the potential is enormous.

'Businesses of all shapes and sizes can potentially benefit from online accounting, but the biggest beneficiaries are often the smallest organisations'



3

CONCEPTS

3.1 THE REQUIREMENTS FOR ONLINE ACCESS

If you need to fly to India on business or send a parcel to Ireland do you purchase your own plane or set up your own international distribution network? Of course not. Buying these outright is much too expensive, so you take a more economical approach and pay a small amount each time you use either of them. Meanwhile, the airline and the courier take care of developing and running the services, handling manpower, maintenance, logistics, security and so on.

Although this is not a perfect analogy, at the simplest level the same model is used to provide online access to accounting facilities – and various other software and systems. The days are long gone when the only way to acquire software was to buy it, and the only way to access it was to install the 'on-premise' application on the hard disk of your computer. Now that the 'software as a product' model has been joined by the Software as a Service model (see What's in a name? on page 9), you can pay for systems on a 'per use' or subscription basis, and even take advantage of free access to software and systems.

To exploit this approach you need an Internet Service Provider (such as BT or Orange) to act as gateway between your computer system and the internet; you need a telecom connection to do it over, a computer to do it from, and a web-browser (such as Firefox, Internet Explorer, or Safari) to do it through. (It is worth noting that online access from mobile devices is not always possible and that some online accounting services are not compatible with all browsers.)

You probably already use some or all of these things on a day-to-day basis. Using them to access an online accounting system should be no more challenging than sending and receiving emails, surfing the web, or searching with Google, as long as you have made the step from a dial-up modem to a broadband connection or a dedicated leased line – the faster and more reliable the connection, the better.

3.2 SOFTWARE AS A SERVICE

Software as a Service (SaaS), which is pronounced 'sass' (like mass), is a model for delivering (or deploying) software that utilises all of these tools, and the internet, to provide customers with access to software. Because the software applications live on their servers, service providers can relieve you of the burdens associated with day-to-day maintenance, technical operation, support, and the relentless upgrade cycle. Because your data lives on their servers (not on the hard disk of your computer), the service provider can also relieve you of some of the burdens of business continuity and disaster recovery planning.

3.3 SAFETY AND SECURITY CONSIDERATIONS

Some see the fact that your data resides with a service provider as more of a weakness than a strength, because of the control issues it raises and the safety and security dilemmas it can potentially create. Each of you will have to weigh up the 'pros and cons' for yourself and (if appropriate) your clients. If you have ever used a free email system such as Hotmail or Yahoo! then you have already experienced the SaaS approach, and some of its advantages and disadvantages.

In the case of online accounting systems, your accounting data is stored in a database on the servers of the organisation that is providing your service, in the same way as your emails are stored on Microsoft's servers at a remote data centre. So the service provider takes responsibility for the safety and security of your accounts data – which can be a lot less scary than it seems.

Clearly, you do not want to trust just anyone to take care of your sensitive private data, but a good provider of online accounting systems will have the technology resources, operational procedures and technical expertise to guard your data much better than you could ever hope to. Data will be encrypted during transfer between your point of access and the service provider, stored at a secure data centre, and regularly backed up. You can read more about this, and the need for 'due diligence' in Section 5: Risks and Rewards.

WHAT'S IN A NAME?

The information technology industry likes its ADSLs and ISDNs as much as the finance profession likes its SSAPs and SORPs, so the world of online accounting is not short of acronyms, abbreviations, and arcane terms of reference. But when you are considering the possibilities offered by online accounting systems, the terms that are most likely to give you pause for thought are probably 'the cloud', 'cloud computing', and 'Software as a Service'.

'The cloud' began its technology life as a metaphor for the internet. Although the term is still used this way (rightly or wrongly), as the internet evolved from millions of connected computers into an interactive computing platform, the metaphor evolved into 'cloud computing'.

The most widely used and well-known manifestation of cloud computing is Software as a Service; think free email accounts (such as Yahoo!), micro-blogging services (such as Twitter) social networking sites (such as Facebook), and online accounting systems (such as those in Section 6).

But cloud computing describes a range of computer resources that are delivered 'as a service' over the internet, in a dynamically scalable (or elastic) form that can expand or contract to meet demand, and in addition to SaaS this includes Infrastructure as a Service (IaaS), and Platform as a Service (PaaS).

All of these are usually provided and managed by third party service providers, who make them available on a pay-as-you-go basis (and sometimes free of charge), but cloud computing is developing fast, and the meaning of the term of reference is expanding. So you'll need to keep a watchful eye on its evolution.

You can learn more from publications such as the ICAEW IT Faculty's Cloud Computing Guide for Business Managers.



4 CHOICES

The number of bookkeeping and accounting systems available online is growing, so accountants and business users are not short of systems to choose from. They range from basic cashbook systems, through multi-ledger systems, to full-blown Enterprise Resource Planning systems.

Some offerings are aimed at small business users with basic bookkeeping needs and little or no bookkeeping experience, while the more fully featured systems have been designed for multiple users with finance expertise, and may be aimed at organisations with more complex multi-site set-ups, so the significance and availability of training and support will vary. Kashflow, for example, boasts that its entry-level system has been 'designed by small business owners, to be used by small business owners', and 'with absolutely no training,' while subscribers to more sophisticated ERP systems such as FinancialForce.com and Netsuite are encouraged (or required) to undertake training.

Online offerings vary widely in many other respects too. Most of the available systems provide access to their own 'proprietary' accounting software while some use the Software as a Service approach to provide access to systems from established suppliers such as UNIT4 (FinancialForce.com), Sage (Sage 50 Accounts Professional Online) and SAP (Business ByDesign). There are systems that provide a cashbook (for business users) and full-blown double-entry bookkeeping (for both business users and their accountants), systems that offer accounting software with integrated payroll (though many do not), and some even target specific market segments.

On a superficial level, you can tell a lot about what sort of system you are dealing with from the home page of the website. Go to Freeagentcentral.com and you will find a focus on freelancers; go to LibertyAccounts.com and you can see that the system has been developed for small businesses; go to Brightpearl.com and you will find a fully-featured ERP with strong e-commerce facilities; go to WinWeb.com and you can see that Office Accounting is a complete small business infrastructure. But when you are choosing an online accounting system it will pay to look beyond the obvious.

4.1 CONSIDERING THE OPTIONS

All of the systems available are going to handle basic bookkeeping, but there is no 'one size fits all' solution, and there are lots of variations in terms

of available features, ease of use, pricing models, upgrade paths, and more. You can draw up a list detailing your requirements such as:

- Ability to import and export data to and from other software tools and specialist systems;
- Accessibility from BlackBerry, iPhone and other mobile devices;
- Accounting for non-profit entities;
- Automatic feed of bank account data;
- Availability (and range) of add-ons;
- Bank reconciliation;
- Credit control;
- E-commerce;
- Management reporting;
- Multicurrency facilities;
- Out of the box integration with specific on-premise systems;
- Point-of-sale;
- Purchase order processing;
- Online banking;
- Payroll;
- Sales order processing;
- Stock handling;
- VAT (including cash and invoice accounting and the flat rate scheme).

In the same way as you would select an on-premise application, you will need to draw up a features shortlist, or a number of features shortlists, depending on whether you are looking for an online accounting system that can meet the needs of one company, a range of small businesses or small and medium-sized businesses, or a series of applications that can be used to meet the needs of a diverse range of clients.¹

However, there is no substitute for personal experience, so watch the online demos and get a hands-on feel for the systems by taking advantage of free trial offerings.

As well as checking out how good a fit the system is for a business today, you need to think about the future:

- Does the system integrate with other (on-premise and online) systems, and how seamlessly?
- Can data be exported in a format that can be imported into a spreadsheet, a desktop accounting program, or any other specialised online or offline application?
- Will the system be able to meet the needs of the business as it grows?
- If not, what is the upgrade path?
- What is the exit route if the system proves unsatisfactory?

4.2 BEFORE AND AFTER

Where you are coming to an online accounting system from, and where you may need to go afterwards, also require some consideration. If, for example, you want to import data from an existing accounting system or a spreadsheet, you will find varying degrees of support, depending on the service provider.

'...but there is no "one size fits all" solution, and there are lots of variations in terms of available features, ease of use, pricing models, upgrade paths, and more'

¹ For a general overview of how to select software, see such publications as the IT Faculty's Matching Software Applications To Business Needs, and Guidelines on Obtaining and Implementing Accounting Software, or BASDA's Selecting a Business System (see www.basda.org). The Institute's accreditation scheme (www.icaew.com/accredit) may also be helpful, and ICAEW-accredited products are identified as such in the list at the end of this guide.

Some service providers offer a free import service but restrict you to bringing over just names and addresses, while others will support the import of as much historical data as you like, for as many previous years as you like – for a price. This can be a significant issue for many businesses, not least because of the need to retain access for up to six years' VAT records.

Before making any commitment you also need to consider your exit route – and this depends on a number of scenarios. If you are moving on because the system has proven unsatisfactory, and you want to move to an alternative accounting system, the ease with which you can do this will to some extent depend on the destination.

All online and on-premise accounting applications offer different facilities when it comes to transferring data to and from other systems, and there may be scenarios where you need the services of a data conversion expert to get your data from the old system into a format that can still be accessed.

Those who need to move on because the business has outgrown the system will face a number of options, depending on which service provider they have selected. Some online accounting systems are impressively scalable when it comes to accommodating increased numbers of users, but accommodating the changing needs of growing businesses is another matter.

Some service providers offer a single system variant with a fixed feature set, and no potential for add-on features or applications, until and unless the basic product is enhanced (which happens frequently with many online systems); some provide a potential upgrade path by offering multiple variants, but with equally fixed feature sets; some offer one application that can be tailored to meet the needs of different users; some offer a modular approach that mirrors more traditional applications; some offer an 'entry-level' online system and provide growing businesses with an 'on-premise' upgrade path.

This can give the traditional 'on-premise' providers that also provide online accounting systems an edge. It may not go down well with SaaS purists, but if a small business outgrows its cashbook system and needs to move on to a proper ledger system, or move from an entry-level system to a mid-range system, they may find this easier if

their service provider has a foot in both camps. FinancialForce.com, for example, is a SaaS offering designed for use on the 'Force' platform of Salesforce.com, but the applications it offers can be used individually, together, or to supplement an 'on-premise' accounting system.

The relative strengths and weaknesses of established service providers and new market entrants need considering. While it would be short sighted to dismiss a service provider simply because they are new to the market, it would be imprudent not to factor this into the decision-making process. It is worth doing some 'due diligence' and looking into the background, ownership, financial strength, and longevity of the suppliers on your shortlist. 'Established' is not automatically more stable or financially secure, any more than 'new' is automatically more cost-effective or innovative.

Before you make a choice, it is also very important to look at the service level agreement on offer, and ask the service provider some difficult questions:

- What system availability does the service level agreement guarantee and what comfort are the penalties likely to be in the event of failure?
- How often and how long are scheduled maintenance windows?

Think carefully about support:

- Do they have a telephone helpline and, if so, what hours of the day is it available?
- What sort of online support is provided?
- How is support resourced?
- Where are telephone support staff physically located?
- How many end users does the service provider need to support?

For many potential users of online accounting systems the biggest barrier to adoption is the safety and security of data – or the perceived lack of it. So this is an area that all businesses should pay particular attention to. In particular they should:

- Find out what the service providers' back-up provisions are. How often do back-ups take place? What sort of business continuity plans are in place?

- Check on the physical and logical security procedures at the data centre, and do not take service providers' assurances on trust.
- Get references from the service provider and speak to existing users.

You have to be sure that you and your clients are going to be happy putting business critical data and processes in their hands (see Section 5: Risks and Rewards).

Choosing the 'right' system from the available online offerings is a multi-faceted and potentially complex decision making process. How well the system meets your needs will be determined, to a large extent, by how well you and the service provider understand them – and this is particularly relevant to accountants in practice.

4.3 SUPPORTING COLLABORATION

Because of the close working relationships practising accountants have with their clients, they need to be able to share accounting data, and many providers of online accounting systems have designed offerings that support this collaboration. As far as the mechanics are concerned, all online accounting systems can exploit the internet to enable the accountant and the client to share data, and work more closely together, but beyond this there are many differences.

Many online accounting service providers offer practitioners a 'control panel' which provides an overview of their 'online accounting' clients from which they can access their accounting data. As you will see in the product reviews section, these can provide practitioners with some useful administration and reporting facilities. But not all online accounting systems have been created equal and, with at least one of the offerings out there, accountants can only look at their client's data by opening a series of new browser windows.

Different practitioners will have very different priorities. One firm may want to find a system that could potentially be used to service all of its clients, while another firm will opt to service clients with a range of online accounting systems. Some firms will be comfortable encouraging their clients to use a system that has integrated payroll, while a firm that offers clients a payroll bureau service may see this as a potential conflict of interest.

4.4 CONSIDERING COSTS

One of the big selling points of online accounting applications is that they allow you to effectively 'rent' access to software and systems, and the various prices and pricing structures can look good alongside the annual maintenance charges of 'on-premise' systems. But as with any rental agreement, the devil is in the detail.

Some services, such as WinWeb, are free to some users; most base their charges on the number of users, but the way they do this varies. Some charge a one-off fee. You can sign up to some subscription services on a monthly basis (and leave at any time without losing money), but you can also be quoted a monthly subscription charge, and then asked to commit to an annual contract.

Many service providers have a partner plan for bookkeeping and accounting firms that want to offer online accounting to clients, and this is an area where there is a great deal of variety. Some suppliers have created plans that are multi-tiered, providing the accountant with varying degrees of marketing and support benefits; some offer inducements to encourage practitioners to opt for a particular service provider.

All prospective users of online accounting systems should look carefully at what a subscription buys. Some providers offer a range of free and paid-for add-ons and other services, whilst some offer free storage space which can be put to good use, if you can use it for anything you like, so check. Find out how much the hosting company includes in the package and what sort of additional charges you can look forward to if you exceed this. You really need to do your sums properly (possibly comparing online to desktop based costs) before you make any commitment.

'All prospective users of online accounting systems should look carefully at what a subscription buys'



5

RISKS AND REWARDS

The potential benefits of online accounting systems have been covered in Section 2, but it is important to consider some of the potential – and perceived – problem areas too.

5.1 POTENTIAL CONCERNS

One of the perceived benefits of online accounting systems is that users are not responsible for the installation, upgrade and maintenance of ‘on-premise’ software, but it is worth remembering that this could have a downside. When you are running packaged software on your own systems, you get to choose if and when you upgrade; with SaaS you generally have no choice. If a SaaS provider makes an upgrade that introduces a new version of the system which has ‘teething troubles’ or changes functionality in a way that has a negative impact on your business, you will need to know what your options are.

The ease with which authorised people can share data also has a potential downside. For every business that provides their bank and other investors with open access to live accounting data, and uses it as a way of improving and strengthening their relationship (or maintaining liquidity), there will be a business that is horrified by the possibilities that this could create. As the electronic filing of statutory data becomes ever more mandatory, some may also be concerned that HM Revenue and Customs will eventually want to access businesses’ live accounting data directly.

5.2 PROTECTING YOUR INVESTMENT

The issue of ‘future proofing’ your investment is a significant one. You need to know that your accounting system can grow in size and capabilities as and when the business requires it, whether it is an ‘on-premise’ or online solution, but there are some significant differences – particularly for small business users. The established giants of the traditional software marketplace, such as Intuit and Sage, offer a range of products with various levels of functionality and scalability, and a clear upgrade path, and this is not the case with many providers of online accounting systems – which could create problems further down the line.

The issues relating to established versus new entrants are many, and we dealt with some of them in Section 4: Choices. In particular we looked at the attraction of financial stability compared with new innovative solutions. But the question of how long some of the newer entrants to the market will be around cannot be ignored, particularly in the current economic climate, when funding sources are scarce even for thriving long-established businesses.

The market for online accounting systems is becoming progressively more densely populated in the UK, as new and overseas entrants join the party, and consolidation seems inevitable at some point. Some market commentators have suggested that many new entrants have been prompted by investors who are keen to see their business bought by the likes of Google or Microsoft, so at some point in the future there is going to be good news for some providers and their users, and bad news for others; though no matter which service provider you opt for, you are taking a chance, of sorts.

However, by far the biggest concern for many businesses that are considering the potential of online accounting software relates to the underlying delivery model. Millions may be prepared to exploit the Software as a Service approach when it means free access to email, social networking sites, and online spreadsheets (like the one in Google Docs), and myriad types of outsourcing may be the norm for businesses of all shapes and sizes, but many finance professionals still see online accounting systems as too risky.

5.3 FEAR AND TRUST

Some accountants are understandably uncomfortable with the idea of valuable and sensitive accounting data being stored on somebody else’s hardware, accessible only over the internet. At one time the banking analogy was a popular (and convenient) one for putting these concerns into context. Now, we are increasingly sceptical of assurances that our money is safe in the bank, and guarantees that we can get access to it any time we like. Many people want to be able to see, touch and even smell it – and similar sentiments abound when it comes to accounting data.

‘Some accountants are understandably uncomfortable with the idea of valuable and sensitive accounting data being stored on somebody else’s hardware, accessible only over the internet’

Risk assessment and management is a complex area, and most businesses' attempts to try to assess, measure and prepare for it are doomed to failure. If the credit crunch, terrorist attacks and our increasingly unpredictable weather have taught us anything, it is that the unthinkable can happen, and that when it does, most of us will be woefully unprepared for it. So the risk assessment exercise you perform before opting for an online accounting system should, in theory, be thorough and extensive.

In practice, most businesses simply are not in a position to ensure that it is any such thing. Even if you put enormous amounts of time and effort into listing all of the possible risks, prioritise them on the basis of factors such as which are most likely and which would be most bothersome, and then take steps to prevent, minimise and mitigate against them, your data will never be 100% safe and secure with an online service provider – any more than it would be if it were stored on your own hard disk on your own premises and backed up daily using your own tape drive.

You can check that the service provider is using 128-bit encryption and Secure Sockets Layer (SSL) protocols during data transmission. You can read its assurances that it is storing your data on a server system with multi-tiered firewall protection and no external drives, USB-ports or printers, which is housed in an environment where employees have been carefully screened and physical security is controlled by a biometric access system. Then you can confirm that similar security levels can be found on the service provider's back-up site, and ask for a detailed description of their business continuity and disaster recovery plans.

But the bottom line is that unless you check all of these logical and physical procedures yourself², you are going to have to trust your service provider – and if you cannot do this, then maybe online accounting systems are not for you.

WHAT THE USERS SAY

"Online accounting is the way forward, because it fits well with the way many small businesses operate," says one sole practitioner.

"We see the market in terms of small, specialist clients and larger clients," says the operations director with one big firm, that is offering its clients a choice between three different online accounting systems.

"Accountants should look carefully at the pros and cons of SaaS before they jump in", says one accountant who already has, "because it is not right in every scenario for every business."

"I have full access to my accounting history online," says one small business woman, "and because my accountant can also access the system directly, the whole process is transparent, and problems are easy to sort out."

"We used to email data to the accountant and get nominal journals faxed back for us to process," says the accounts manager for a firm of architects.

"Doing our accounts online saves time at both ends and reduces the need for paper filing."

"I know that my accounting data is backed up onto someone else's server every day," says one business user, "but I only feel secure if I know that we have done our own back-up too."

2 Or rely on a report under such a framework as SAS 70 or the ICAEW's ITF 01/07 guidance in respect of third-party reviews.

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6

REVIEWS OF ONLINE ACCOUNTING PACKAGES

FinancialForce.com

TARGET MARKET

FinancialForce Accounting is a fully functional enterprise system that offers multi-everything accounting built on a unified ledger. It's aimed at English-speaking mid-market organisations that typically have between 30 and 500 employees, but it can scale up from this. FinancialForce Accounting was designed for use with Salesforce CRM but can also be used without it, though non-Salesforce.com users require a platform license for FinancialForce Accounting.

COST

The subscription for the FinancialForce.com accounting engine costs \$6,000 (£3,832.15)* per year, which provides two users with access to full multi-company multi-currency accounting, with billing. Extra users with full access cost \$175 (£111.77) per month and billing users can be added for a monthly charge of \$65 (£41.51) each.

Subscribers to Salesforce CRM can subscribe to FinancialForce 360° for \$10 (£6.39) per user per month. This provides read-only access to customer-related information on previous orders, recent invoices and payments, outstanding payments and credit limits.

FinancialForce Accounting subscriptions are sold on a quarterly, six monthly or annual basis – and three month pilots are possible. A variety of support options are available for subscribers to FinancialForce Accounting and Salesforce CRM.

All FinancialForce.com customers must commit to a minimum of five hours of consulting, to ensure that the accounting functionality is properly set up.

USER BASE

FinancialForce.com has customers in around 17 countries; 50% of the users are in North America, 30% are in the UK, with the remainder in the rest of the world. Customers range from a single user start-up to an enterprise with more than 18,000 employees, and span myriad industries including media, healthcare, franchising, IT services, and consulting.

CONTACT DETAILS

Website: www.FinancialForce.com

Telephone: 0808 238 9791

You can view videos, attend demonstration webinars and/or test drive the system for 14 days by registering on the website.

* FinancialForce's pricing is in US dollars. A conversion rate of £1 to \$1.5657 used as at 19 August 2010

OVERVIEW

FinancialForce.com started its life in 2007 as CODA 2go and was subsequently launched as FinancialForce.com in 2009. It was the first cloud-based financial system built natively on Force.com, the application development platform of Salesforce.com, and was the result of a strategic alliance between the SaaS pioneer and the global finance systems specialist CODA (now part of UNIT4). In 2009, Salesforce.com and UNIT4 invested in a new spin-off company to focus entirely on finance and accounting in the cloud, and CODA 2go became FinancialForce.com.

The system was designed from the outset to be used seamlessly with Salesforce CRM. The two have a very similar look and feel, and together they make many business processes less disjointed. Users can think in terms of business processes, as it is possible to handle initial contact and sales enquiries, invoice accurately and collect cash within one integrated system. The 'opportunity to cash' functionality, for example, enables authorised Salesforce.com users to create an invoice and post the transaction to their FinancialForce sales ledger at the click of a button.

FinancialForce Accounting is a functionally rich enterprise system that is easy for users to find their way around, even if they are not familiar with the product - a Launchpad acts as a navigational aid to simplify some of the more sophisticated finance processes. Salesforce technology is used to present important information as graphs and charts, so it's easy to get an overview of key financials such as the income statement and balance sheet, operating expense analysis, current liability analysis and so on - and all of the tabs and journal lines can be customised so that the screens show only what users require.

As well as standard (user-definable) ledgers (such as accounts receivable, accounts payable and general ledger), FinancialForce Accounting offers a broad range of functionality including the very topical real time credit management, which can help organisations to pursue debt and automate the cash collection process. At the click of a mouse button, reminder letters can be scheduled and sent (in batches) via email from within FinancialForce Accounting, and scaled in terms of severity (from a polite reminder to a more serious legal notification), depending on the age of the debt.

FinancialForce Accounting also offers 'Integration Rules' which provide an easy way to seamlessly pull non-financial data into the finance application through a point-and-click user interface - which does away with the need for custom development or programming. This was developed to allow the mapping of 'objects' from Salesforce.com to FinancialForce Accounting, but it will work with any application, not just those built on the Force.com platform, so it makes it much easier to share and collaborate on 'integrated' management and financial information from around the business - something that is further enhanced by Chatterbox (based on Chatter, the Salesforce.com social platform).

Chatterbox users define a set of rules; these are then used as the basis for real-time alerts and when one is flagged a 'chatter stream' is started. This could relate to sales opportunities, service issues, customer accounts and more, so a chatter stream could be initiated when a new supplier is introduced, or when a customer pays or exceeds a late payment threshold. It could also help to overcome departmental silos and bring finance out of the back office so that it can actively engage with other parts of the enterprise to solve real business problems.

CONCLUSION

This is a comprehensive accounting solution, with a very flexible chart of accounts, which enables users to analyse costs and revenues easily across many different dimensions. This is reflected in the recently introduced 10-step QuickStart set-up wizard, which speeds up and simplifies the process of switching to FinancialForce Accounting (and setting up the extensive chart of accounts) for small and medium businesses without in-house accounting expertise.

FinancialForce Accounting combines the flexibility of on-demand SaaS systems (and the accompanying eco-system) with an enterprise mentality. This is reflected in the features and functionality, and the way system updates are grouped into three major releases each year (for enhancements), with service packs every three weeks (or as required). It is also reflected in the extent to which FinancialForce Accounting facilitates integration between smaller divisional on-demand apps and larger on-premise enterprise systems.

Recently released 'out of the box' integration between FinancialForce Accounting and the Enterprise Resource Planning system SAP, for example, means that organisations can create on-premise/on-demand hybrids, and financial transactions can be originated in Salesforce.com and FinancialForce.com and posted in SAP. So larger enterprises can close the finance loop and benefit from the cloud as well as using their in-house ERP.

KashFlow

TARGET MARKET

KashFlow was developed specifically for small businesses with no bookkeeping or accounting expertise. It operates affiliate, partner and reseller programmes so that practitioners can choose how involved they want to be in referring, selling and co-branding the system.

COST

Monthly subscriptions for businesses start from £15.99 (if prices increase this only affects new customers) for unlimited users. Optional extras include an automatic import service for PayPal transactions on either an hourly basis (for £8.49 per month) or a weekly basis (for £2.99 per month). There is no minimum contract period.

The partner programme costs £799 per year, but partners can buy licences for clients at less than half the rate charged for direct clients and then decide what price to charge clients as part of a professional services package.

Subscriptions include free access to online and telephone support – with partners getting priority telephone support and a dedicated account manager.

USER BASE

KashFlow users are typically small businesses with an annual turnover of less than £500,000 and between one and five employees. Direct business users are referred to accountant partners, who range from sole traders with a handful of clients to multi-site firms with hundreds of online users, and include networks such as Abacus and Tax Assist.

CONTACT DETAILS

Website: www.kashflow.com

Telephone: 0800 848 8301

You can watch a three minute demonstration of KashFlow on its website, and sign up for a sixty day free trial without revealing your credit card details or making any other financial commitment.

OVERVIEW

KashFlow was set up in 2006 by its MD Duane Jackson, with financial support from the Prince's Trust and Lord Young of Graffham, the former Secretary of State for Trade & Industry and ex Chairman of Cable and Wireless (who is now KashFlow chairman). After two rounds of investment funding from Lord Young, the company has eschewed the VC approach in favour of self-funding.

KashFlow was developed to meet the needs of the small business user with no knowledge of bookkeeping or accounting. Because what is 'intuitive' for an accountant isn't necessarily 'intuitive' for many small business people, KashFlow avoids accounting speak, and opts for more obvious terms of reference, where possible. Purchase invoices, for example, have been replaced with the more self-explanatory 'receipts' and transactions are added to your bank account as 'money in' and 'money out'.

Finding what you are looking for is pretty straightforward too: functional areas for customers, quotes, sales, suppliers, purchases and bank, do what they say on the tin, with more extensive sets of options to be found in (a reasonably flexible collection of) settings and (a reasonably broad range of) reports (including EC Sales List, a summary of deductions for the Construction Industry Scheme and a stock overview), many of which can be viewed graphically and exported as .CSV files. There is also a growing collection of add-ons offering credit management, payroll and various other functions.

KashFlow started out with 'invoicing' and has evolved into a system that offers the 'accounting' facilities most small businesses will need for invoicing and purchasing (including automated repeat billing and purchasing), and keeping track of customers – with some nice touches, particularly in the areas of payment processing and VAT. VAT registered companies can display their cumulative VAT liability at login, reducing the likelihood of a really good month turning into a shockingly bad quarter. KashFlow also monitors the turnover of the non-VAT registered and tells them when they cross the threshold.

KashFlow offers its various types of partner accountant a range of tools designed to make it easier for them to work more closely with their clients and manage multiple KashFlow client accounts effectively. Partners have to pay for access to these facilities, but they get the opportunity to gain new customers from the existing KashFlow userbase, and the dashboard offers time saving management facilities (such as being able to copy product ranges between accounts), and it is constantly being enhanced with new features.

There are lots of reports available, it is easy to see when the client last logged in and what they did (or what they have not been doing) and there are good controls. For example, accountants can set the clients' Chart of Accounts so that they cannot edit it, they have the facility to lock bank accounts once they are reconciled, and they can put in place a system-wide transaction lock.

CONCLUSION

It is simple enough for non-accountants to figure out and smart enough to make these clients easier for practitioners to manage. KashFlow charges partners an annual fee of £799 (unlike many other online accounting systems) but this hasn't stopped more than 200 practitioners from buying into it – which says something about what they are getting for their money.

KashFlow has some strengths in the area of e-commerce and payment processing. It can process a range of payment sources including PayPal. It was the first online accounting system to be certified for PayPal integration, and it recently integrated with PayPal Virtual Terminal.

At the moment, KashFlow doesn't have built-in multi-level permissions, but this level of control (and privacy) is available through a third-party add-on product: KashGuard (from £4.99 a month). This means that each KashFlow account has a single user name and password, rather than these being different for each individual user, though a KashFlow update to change this is in the pipeline.

Liberty Accounts

TARGET MARKET

Liberty Accounts online accounting software for bookkeeping and payroll management has been designed to be a co-branded service for accounting firms and bookkeepers to offer to their small to medium-sized business clients. It is also available directly to owner-managed businesses and sole traders. The system is marketed only to organisations in the United Kingdom.

COST

Liberty provides a free co-branding service to its bookkeeper and accountant partners, who can then offer Liberty Accounts to their clients. Monthly charges for partners start from £15 for small business clients (including two payroll/P11D employees and online filing), and the practice determines the price they charge clients as part of a professional services package.

For businesses that sign up directly with Liberty Accounts, monthly charges start from £29.50 for up to five users, up to five active payroll employees, and 500 accounting transactions each month. There is a concessionary monthly rate of £15 for not-for-profit organisations with a turnover of less than £100,000.

There is no minimum contract period, and monthly subscriptions can be stopped at any time.

USER BASE

The Liberty Accounts user base ranges from small bookkeepers to multi-office accountancy practices - and their clients. Liberty encourages direct client businesses to use Liberty partners, where possible. Liberty partners range from individual bookkeepers to multi-office practices in locations from the Orkney Islands to Cornwall.

CONTACT DETAILS

Website: www.libertyaccounts.com

Telephone: 0845 230 9803

You can sign up for a one-month free trial on the Liberty Accounts website. A number of public courses have been organised for 2010 and details are available on request.

Liberty Accounts is accredited by the ICAEW.

ACCREDITED
SOFTWARE



OVERVIEW

Liberty Accounts has been available on the UK market for the past seven years, and was developed by Athene Systems. This independent technology company has been coming up with innovative software solutions for business processes since 1996. Members of the team have worked for American Express, Black & Decker and Ernst & Young, and they have been involved in offering online accounting solutions to accountants since the earliest days of the market.

Liberty Accounts was purpose built to enable accountants to use the internet to work more closely with their small business clients, and the feature set is not unlike those of many small business desktop systems; but it doesn't mirror the product separation that is typically associated with them. It has got all of the bookkeeping functions you would expect from a small business accounting system, and some you might not. Liberty supports the use of foreign currencies for invoices and customer statements (and can automatically calculate and post exchange rate gains and losses) and as well as having built-in stock control and payroll, it is unusual in offering the tools required for P11D compliance (including section 336 claims).

The company was quick to enable Liberty Accounts for the electronic filing of year-end PAYE (it got HMRC recognition for this for the tax year in 2004/2005) and it was the first online accounting system to offer online VAT filing (something some online accounting systems have yet to offer) – and Liberty's VAT capabilities are comprehensive. It offers easy methods for handling VAT transactions such as European Union acquisitions, and produces the European Community Sales List (form VAT 101). It also supports the standard and cash accounting VAT schemes, as well as flat rate VAT (which is calculated on a transaction basis, so it is always accurate).

The designers have exploited the information stored in businesses' accounting and payroll data to help firms and their clients to comply more quickly and easily with other UK tax regulations too. It captures P11D-related information at a transaction level, pulls the figures together on screen and then produces an HMRC approved facsimile of the P11D form, for 'one click' electronic filing. Liberty also offers IR35 income and expense association with contracts and employees – plus lots of other features and facilities designed to make life simpler and less time-consuming for practitioners.

The system also provides practitioners with an 'accountant control area,' which gives them access to cross-client views and a range of reports, as well as highlighting key tasks and event dates. Being able to set up partner cost centres to which client businesses are related is useful for multi-office practices. Global account settings can be enforced (for P11D classification, NIC classification, default VAT rates, and nominal codes for export to statutory accounts packages) from this control area, and the system can be tailored with the help of pre-packaged 'roles'. These help members of the firm to manage their work efficiently, and make it easy for firms to control (and restrict) the menu options and structure available to clients.

CONCLUSION

The system appears to be clear and logical, and the presentation will be familiar to anyone who has ever used an accounting system. The screens are pretty intuitive, with plenty of context-sensitive help, data entry can be speeded-up with batch processing, and Liberty offers good reporting facilities for small business users and practitioners. It is a tried and tested system with an established user base and it is scalable enough to handle a range of clients from freelance service companies to audit threshold sized manufacturing companies.

It is worth noting that if you move onto Liberty Accounts from another system, the only data you can bring with you is customer/supplier names and addresses, together with their opening balances or individual open invoices/bills.

For practitioners, the system is effectively a 'white label' product and Liberty will tailor it to reflect the firm's branding – right down to logos and colours – and customise it to fit in with the firm's website. When this is coupled with all of the above, and Liberty's pricing structure, the system looks like a very appealing prospect for small firms and sole practitioners that want to streamline compliance work and focus on adding value to their other services.

Liquid Accounts

TARGET MARKET

Liquid Accounts is a modular, scalable and customisable system aimed at all sizes and types of company, from sole traders and start-ups to multi-site, multi-national organisations. Liquid Accounts operates a multi-tier accredited partner programme for a range of resellers, including firms of accountants and bookkeepers that want to work proactively with their clients.

COST

Monthly subscriptions to Liquid Accounts cost businesses from £20, and provide access to a fully functional accounting system for two users; extra users cost £5 each. Additional modules can be purchased for: stock control, multi-currency, advanced multi-currency, job costing, purchase order processing, sales order processing, tracking for sales and commissions, and factoring.

The subscription includes online support and telephone support, and each client gets free access for their accountant and/or bookkeeper. Partners get free access to the 'client manager' module, which offers various additional management and reporting facilities.

Liquid Accounts provides an import service to bring up to three years historical data into the system from leading small business accounting systems (including Sage 50), for a one-off fee starting at £50. A fast import/upload facility for Sage is in the pipeline.

Partners also have the potential to earn commission on each client who uses the system. The monthly subscription can be cancelled at any time and there is no minimum contract period.

USER BASE

Liquid Accounts began its life as an enterprise system, and over the past six years it has been tried and tested by several hundred companies and accountancy practices throughout the UK and abroad.

CONTACT DETAILS

Website: www.liquidaccounts.net

Telephone: 0845 450 7304

Liquid Accounts host regular online demonstrations and offer access to free blank or pre-populated test companies for accountants. Its website will shortly offer a sandbox, so that people can try the software without signing up. Liquid Accounts can connect interested practitioners with others who are already using the system.

OVERVIEW

The Liquid Accounts system has a longer history than most of the online accounting systems out there, and its longevity seems assured; early in 2010 it gained more than £750,000 in equity funding. Because the system is based on a traditional 'enterprise level' solution, it offers a depth of functionality that is unusual in online accounting systems, but this is masked with a veneer of simplicity.

A dashboard interface summarises key financial (and subscription) information, and Liquid Accounts delivers on its promises of using 'plain English' and being 'jargon-free', by removing a lot of the technical finance terminology that non-accountants find confusing. Aged debt becomes 'money to collect', bank reconciliation becomes 'check my statements', and receipts become 'money collected' – though these self explanatory terms of reference can easily be turned back into accounting speak, at system set-up time, if required.

The system can be customised so that different users have different menu titles depending on their various needs. It is also structured with simplicity in mind, and mirrors the paths that business processes usually take, while still retaining the look and feel of a grown-up accounting system. There are several multi-national, multi-site companies using the system, and scalability has yet to be a problem, so ambitious small businesses can start with an entry-level system, knowing that Liquid Accounts has the capacity to grow along with their business.

The designers have taken the simplest approach in other areas too. Rather than a tri-ledger system, there is a single unified data structure, the screens are easy to navigate, you can open multiple windows without moving away from the screen you are on, and the records you are looking at are highlighted in charts and lists. Liquid Accounts offers online access to a large library of human resources documents (provided by Sentient), which includes health & safety, training, risk assessments, and more – a boon for many small businesses.

The Client Manager is aimed at practitioners, so the menus use traditional financial terms of reference. A single summary screen facilitates the management of multiple client companies, provides a real-time financial summary of any individual company at the touch of a button, and offers a range of accountant-specific functions and reporting options, together with the ability to log in and work on the client's books. It is also possible to see Liquid Accounts in exactly the same way as the client sees it, from this screen, including the alternative terms of reference, to minimise confusion.

The team at Liquid Accounts has taken the precaution of forcing systems users to exercise a little more caution than they might otherwise do when it comes to security. The login doesn't just use an email address and a password, the latter is case sensitive and encrypted, and supplemented with a unique, randomly generated company code.

At the time of writing, Liquid Accounts had a number of developments in the pipeline, including: online VAT filing, a re-launch of its payroll system and a mobile application. In addition it has

developed a training programme for accountants, which they can also offer to clients and develop as a new revenue stream.

CONCLUSION

As Liquid Accounts can expand in a modular fashion, it is able to develop along with businesses; it seems scalable enough (in terms of features and concurrent users) for a broad range of business sizes and types to use – and charging for add-ons keeps the price competitive.

The multi-tiered accredited partner programme is flexible, so practitioners can opt to simply recommend the system, or become much more involved in its use and support. End-users can access Liquid Accounts via the service provider's website or the accountant's website, and a 'white label' version is available so firms can use their own branding.

All of this creates a range of revenue-generating possibilities for practitioners who want an online accounting system they can use to work with a broad range of clients. So if this is something you are considering, take a good look at the Liquid Accounts system.

Twinfield

TARGET MARKET

Twinfield is aimed at a broad range of business types and sizes, from sole traders to much larger and more complex multi-company and multi-country entities. Direct users are encouraged to work with accountancy firms that are certified Twinfield partners, and these firms also range from sole traders up to member firms in some of the world's largest accounting networks. Twinfield is available in several languages.

COST

Twinfield offers a variety of subscriptions to suit all sizes of organisation and need, with charges based on the level of functionality required. These range from the basic 'shared view' subscription (giving read-only access to the accounts and reports) at a cost of £7 per month, to a complete accounting subscription at £52 per month (the various subscription options are explained in more detail on the website).

Accountant partners are not charged for using Twinfield. 'Shoe box' clients (who do not require a subscription) cost £4.50 per month.

There is no minimum contract period, and monthly subscriptions can be stopped at any time.

USER BASE

Twinfield has more than 40,000 subscribers in 22 countries, handling anything from a few dozen to a few thousand financial accounts. Many of the users are small and medium businesses, but Twinfield is also used by much larger organisations. A formal programme supports accountants' training of their staff to 'basic' or 'professional' certification levels.

CONTACT DETAILS

Website: www.twinfield.co.uk

Telephone: 0870 458 9198

A free trial subscription is available on the website, as are frequent webinars for businesses and accountancy firms.

OVERVIEW

In 2000, when André Kwakernaat and Maurice Tjihuis launched Twinfield, it was one of the first online accounting services in the world, and the first in its home country of the Netherlands, so the company has been something of a pioneer. Twinfield has since grown into an internationally used product with more than 40,000 subscribers in 22 countries, and it is available in a number of languages.

Twinfield offers a lot of bookkeeping and accounting functionality to businesses and their external accountants. As well as accounts payable and receivable and the general ledger, features include: invoice management, credit management, expense claims, project management, budgeting, consolidation, time sheets, the ability to handle multiple accounts and users, work with multiple currencies (the system allows up to two reporting currencies in each company), and access to a wide range of reports. Payroll, stock management, CRM, commitment accounting and purchase-to-pay authorisation are among the add-ons provided by more than 50 third party 'Twinapps' partners.

Data entry feels intuitive, and it gets easier with time, as the system 'learns': posting rules are stored automatically against bank statements, customers, and suppliers for 'auto-completion' the next time they are processed. As all transactions in Twinfield are 'provisional' or 'final', they can be entered into the system by one user (and be available for account queries and reports), before they are checked, edited (if necessary) and then 'finalised' by somebody else, such as a supervisor or accountant. Automation improves efficiency in other areas too: an eBank Statement module automates the reconciliation of bank statements with accounts, whilst document scanning automates the capture of paper invoices.

Twinfield offers a number of pre-defined role-based access controls, limiting the availability and visibility of features, depending on how much bookkeeping and accounting work will be done by the business and how much is being handed over to an external accountant. The pre-defined chart of accounts templates have been designed to meet the needs of a broad range (in terms of size and type) of business, but accountant partners can also create their own bespoke templates. This flexibility extends to product functionality too.

For example, the transaction date is held separately from the period, and if this is closed, invoices can still be entered with their true date for the purposes of VAT and ageing. In addition, there are multiple steps in credit management, so that it is easy to tweak the approach taken if a business begins by handling this internally and then decides that it needs outside help. All of the reports in this online accounting system can be customised (very easily) using a drag and drop interface, and Twinfield Analysis provides the facility to create cubes (pivot table exports) for more detailed and complex management accounts.

Accountants get plenty of tools to help them to manage their multiple Twinfield clients, and information is presented to them in a way that simplifies this too. When the accountant logs on they see service monitoring and uptime statistics as well as a list of their clients, and it is easy to spot activity, to see which client has the most outstanding 'provisional' transactions, and so on. Twinfield users get access to an online document store, so accountants can create and upload reports and other documents for clients and/or simply send them via email.

CONCLUSION

Twinfield is a mature, feature-rich accounting system. It offers a lot of functionality for businesses and has the potential to grow along with them, whilst their accountants are given the flexible range of tools they need to support this efficiently and effectively. Twinfield is among a small number of providers of online accounting systems to take their offerings beyond the 'traditional' product boundaries of accounting systems.

As well as exporting trial balances and other details into final accounts production software, Twinfield has integrated the iXBRL (the Inline eXtensible Business Reporting Language) reporting, soon to be required by HMRC, which means that accountants can create the necessary filings directly from the source data, and file them (with the relevant body) online from within Twinfield.

Other Twinfield innovations (currently available in the Netherlands) will soon be available in the UK too. These include: an 'accountant finder' (to help businesses searching for an online practitioner), dashboards and KPIs, and facilities for accountants to set up their own portal (MyTwinfield), to support the development of online branding and marketing. So, firms that are looking for a partner to help them streamline bookkeeping and compliance, and develop the value-add side of their business, will want to look closely at Twinfield.

Xero

TARGET MARKET

Xero is aimed at small businesses ranging from start-ups and sole traders through to multi-company entities with multi-currency accounting needs and publicly listed companies, so various subscription levels are available. Partner firms also range from sole traders to multi-site firms. Xero is an international player that focuses on English speaking countries.

COST

There are multiple monthly subscription tiers for businesses users. A £12 monthly subscription offers limited accounts receivable and accounts payable invoices, and limited reconciled bank statement lines; a £19 subscription offers unlimited invoicing and unlimited bank reconciliation, whilst adding full multi-currency to this costs £24 per month – all for unlimited users. An automatic daily bank feed (currently available in the UK only from HSBC) costs £2.50 per month per account.

There is no charge for becoming a certified partner as long as you have three clients using Xero.

There is no minimum contract period, and monthly subscriptions can be stopped at any time.

USER BASE

Xero has more than 22,000 paying customers and more than 1,000 accountant partners in more than 50 countries – though most are currently in Australia, New Zealand and the UK.

CONTACT DETAILS

Website: www.xero.com

Telephone: 0800 085 3719

You can sign up for a free trial on the Xero website.

Xero is accredited by the ICAEW.

ACCREDITED
SOFTWARE



OVERVIEW

Xero was founded in 2006 by a technology entrepreneur and a chartered accountant in New Zealand. After raising \$15m from its initial public offering on the New Zealand Stock Exchange in 2007, Xero raised \$29m from a second round of funding in 2009, to support its global expansion plans –and it currently has more than 20,000 paying customers and more than 1,000 accountant partners in more than 50 countries.

Xero was also designed with small businesses and their accountants in mind, and the system is intuitive enough for non-finance people (a dashboard guides them towards the most important financial indicators for their business) and some terminology has been tweaked to avoid accounting speak (accounts receivable is ‘money coming in’, for example). But accountants also have access to a client collaboration platform that offers a more technical perspective, and the tools they need to work more closely and regularly with their clients, and manage multiple client accounts.

Small businesses benefit from invoicing (with multiple templates and automated repeat billing), debtors and creditors are managed with a single contacts database, VAT is flexible, and there are plenty of built-in reports. However, as well as covering the small business basics it has some appealing additions. Unusually, Xero includes a fixed assets register and tools to manage depreciation, and it has got a lot of expenses management functionality – with built-in approval and authorisation workflow, features such as part-payment of claims, and automatic claim reconciliation. Third party add-ons include billing, customer relationship management, payroll and more.

Xero also has one very impressive feature that other online accounting offerings currently lack: an automatic daily feed of financial data from high street banks. This enables businesses to check their bank balance each day from within Xero, and although this is currently restricted in the UK to HSBC account holders, links with other UK banks are in the pipeline. In addition, Xero handles bank reconciliation automatically; the user simply needs to validate. Xero also offers fast cash coding, which removes some of the drudgery from data entry.

Certified partners get access to features that make it easy to tailor the product to the needs of the client. Xero Cashbook is made available to businesses only via accountants, and comes with two (pared down) ‘roles’ designed for businesses that don’t need accrual accounting. The Xero Partner Edition includes access to Xero Practice Ledger, which firms can use to manage their own finances, with tools for maintaining accounting records, simple bank reconciliation, debtor and creditor management and comprehensive reporting.

There are also some nice little touches designed to reinforce the relationship between the client and the accountant by helping practitioners to seem more responsive. It is easy to see when the client is logged on, and the ‘Ask My Accountant’ feature enables clients to quickly and simply send messages and queries to their accountant from a window that opens within Xero.

Partner firms can also access the Xero Partner Resource, a ‘toolbox’ that provides all sorts of communications resources to help accounting partners exploit their use of Xero. It includes: guides, hints and tips on marketing, examples of web landing pages, letters and advertisements, and even explains how to select a design agency.

CONCLUSION

Looks aren’t everything but Xero is very easy on the eye, and easy to navigate (as is its entire website). It also has some notable differentiators, most significantly the arrangement it has with high street banks. At the moment in the UK, this is just HSBC, but the list of banks involved is already extensive in Australia and New Zealand, and more are expected to come online in the UK during Q3 2010.

Xero seems to be a well thought out offering that reflects a real vision for what online accounting systems (and their accompanying ecosystem) could potentially mean to accountants and their clients, and what it will eventually mean for them to be truly ‘connected’ to each other, their banks, and the statutory authorities.

It currently integrates with various accounts production packages, but advisers can already produce abbreviated accounts (including summary footnotes) from within Xero, and this will soon extend to full statutory accounts (including a tagging facility for iXBRL, HMRC’s Inline eXtensible Business Reporting Language).

Xero recently introduced Xero Personal to help individuals better manage their spending and saving, which could be very useful for small business people who want to see the cross-over between what they spend on the business and personally.

So if you are looking for an online accounting system that you can use to streamline compliance and support a more proactive approach to client services, it certainly merits consideration.

7 SUPPLIER DIRECTORY

There are many service providers and software developers offering online accounting solutions and hosted versions of traditional 'on-premise' applications. The following list is not complete, but it does provide the web addresses for a cross section of the many available.

Accounts anywhere	www.accountsanywhere.co.uk
Accounts IQ	www.accountsiq.com (ICAEW accredited)
AccountsPortal	www.accountsportal.com
Aplicor	www.aplicor.com
Aqilla	www.aqilla.com
Arithmo	www.arithmo.co.uk
Brightpearl	www.brightpearl.co.uk
Clear Books	www.clearbooks.co.uk
Click-on Accounting	www.click-on-accounting.com
e-economic	www.e-economic.co.uk
Erply	www.erply.com
FinancialForce	www.financialforce.com
FreeAgent Central	www.freeagentcentral.com
Inrax	www.meierpollard.co.uk
IRIS Accounts Office Online	http://small-business-software.iris.co.uk/solutions.aspx (offline version ICAEW accredited)
IRIS Openbooks	http://accountancy-practice.iris.co.uk/iris_openapps/iris_openbooks.aspx
JustAccounts	www.justaccounts.com
KashFlow	www.kashflow.co.uk
Liberty Accounts	www.libertyaccounts.com (ICAEW accredited)
Liquid Accounts	www.liquidaccounts.net
Mamut Accounting	www.mamut.com/uk (offline version ICAEW accredited)
Marginz	www.marginz.com
MyBusiness	www.mybiz.co.uk
Netsuite OneWorld	www.netsuite.co.uk (ICAEW accredited)
Online 50	www.online50.net
Sage50	http://shop.sage.co.uk/sage50online.aspx
SamsTax	www.samstax.co.uk
SAP Business ByDesign	www.sap.com/BusinessByDesign (ICAEW accredited)
Twinfield	www.twinfield.co.uk
WinWeb Online Office	www.winweb.com
Xero	www.xero.com (ICAEW accredited)

The following links will take you to the websites of just a few of the accountancy firms that are offering online accounting services to clients and prospective clients:

www.accountingservicesonline.net

www.ascotdrummond.co.uk

www.bakertilly.co.uk/Revas/Services/Pages/Revas-accounting.aspx

www.banksco.co.uk

www.crunch.co.uk

www.gloverstanbury.co.uk/about/online_accounting_software.html

www.inniaccounts.co.uk

www.keyaccounting.co.uk

www.simpkinsedwards.co.uk/libertyse.html

www.sturgessonline.co.uk

ABOUT THE AUTHOR

Lesley Meall is an ex-software engineer who has been a journalist for the past twenty years. She is a freelance editor and writer who specialises in business and technology.

Lesley writes regularly for publications including Accountancy, Accounting & Business, and Student Accountant, and has contributed to publications ranging from Director to Your New Home, as well as producing promotional material and annual reports for various organisations.



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Liberty Accounts is so user friendly I don't feel intimidated...
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Alexander Greene - Greene & Greene Wines

Now I'm doing a job I wouldn't be able to do without Liberty,
from wherever I happen to be.
Heidi Hayes - Body Active Chiropractic Clinics

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