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# Professions

## ACCOUNTING

### THE QUIET UPHEAVAL

An industry transforming change is on the way that will revolutionise the profession.

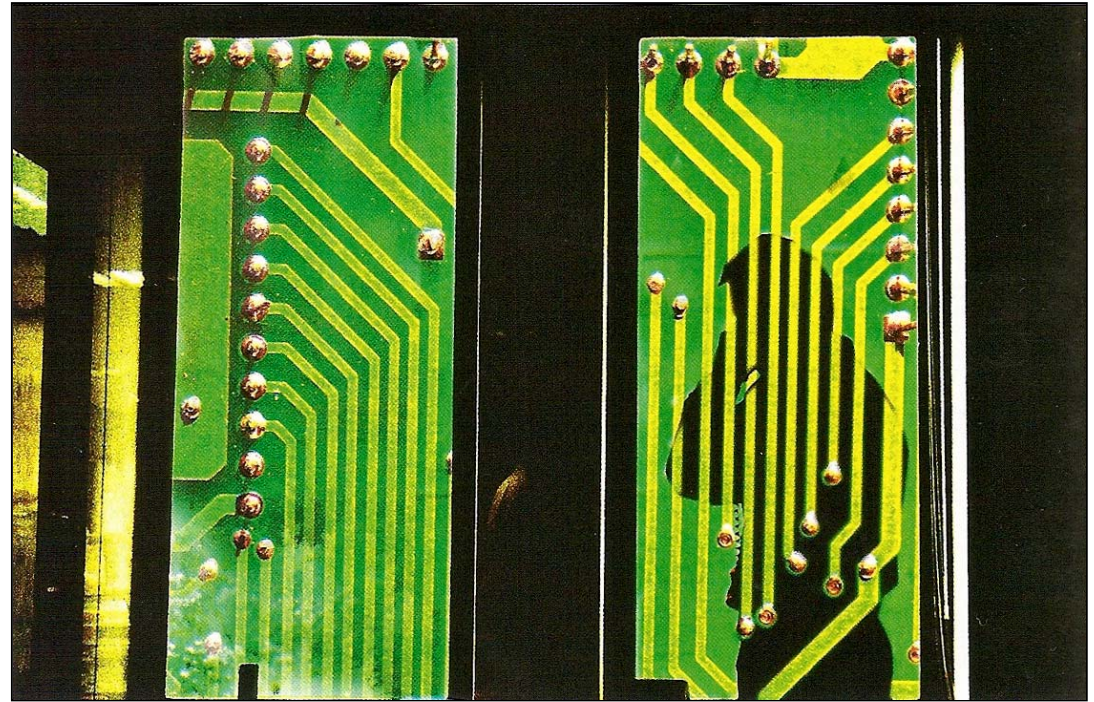
**Report: Jeanne-Vida Douglas and Agnes King**

Australia's \$14 billion accounting industry will be totally refashioned during the next decade by web-based accounting software. National Institute of Accountants senior tax adviser Tony Greco says this software revolution will change both the way accountants deliver services and the cost of providing them.

Many believe it will be a seismic shift for the accounting profession, forcing accountants out of their snug reactive work practices into a more competitive environment.

The shift should occur subtly, much like email has slowly infiltrated the business world. But that will change if the Henry review of taxation decides to scrap compulsory personal tax returns, something touted as a possibility in the May federal budget.

If this comes to pass, close to a billion dollars of industry revenue could be wiped out overnight, Nixon Advantage chief executive Rob Nixon says. It could take a lot of small accounting firms with it, as well as multimillion-dollar



franchises HR Block and ITP Australia.

Those left standing will have to be more active in selling, marketing themselves and servicing clients in ways they should have been doing for years, Nixon says. The ensuing dog fight may hasten the adoption of online accounting software as firms look for every edge.

The first iterations of accounting software arrived on the scene in the 1980s, not long after the first personal computer. At that time, PCs cost \$5000 to \$10,000 and the custom-built accounting software commissioned by medium practices anywhere from \$20,000 to \$100,000.

The software development industry went in different directions very early on. Some manufacturers made products

**Real time: The web allows accountants to monitor their clients books in real time**

**Once a business reaches a certain size you do require face-to-face contact with a client**

Tim Johnston  
Books onsite

for accountants while others aimed for general business consumption.

"It resulted in accountants using irreconcilable versions of accounting software from different manufacturers written in different codes and sold and supported in different ways," the chief executive of online accounting software manufacturer Xero, Rod Drury, says.

This fact lies at the root of big productivity losses for small and medium enterprises today. Clients email a record of their finances to their accountant or they burn a compact disc and courier it. Two or three days later the adviser picks it up and puts \$300 to \$500 on the tab trying to make heads or tails of it before they add a skerrick of value.

"By the time accountants decipher the data new invoices have been raised and it's out of date. The financial position of the company has changed and they've lost the opportunity to advise clients on cash flow, accounts payable or how they might get a loan for a factory expansion or to hire another staff member.

"For 15 years the software has forced accountants to be retrospective in their engagement with clients and duded small business out of valuable business advice," Drury says.

Then came the internet. Brands such as Facebook, YouTube, Skype and Google proved that it was in many instances

more logical and convenient to use software built, owned and operated by somebody else, software that people in different locations and organisations could access with reasonable security over the internet.

Suddenly accountants and their clients can look at the same ledger in real time. What's more, accountants given permission can log into a client's accounts, examine them and make suggestions to

improve operational performance.

"The software is hosted on the internet so there are less problems with different software versions and with transferring data between the customer and their accountant," Greco says.

"There are some security issues that need to be addressed and it is important to check that client data is being stored securely. However, once you are over these obstacles it's a far more reliable and practical approach than traditional accounting services."

It wasn't long before this new model was given a suitably obscure name: software as a service, or SaaS.

The larger accountancy firms are steering away from SaaS because of customer concerns regarding data security and privacy. However, the technology is being rapidly adopted by medium firms at which the productivity improvements associated with web-based software result in improved service.

Brisbane wealth management provider Logiro is typical of the type of business that has embraced SaaS technology not just for

accounting (using an Australian-made product called Saasu) but also to manage its customer relations database (with software called XPLAN).

"Both these SaaS products improve our back-end efficiency so we can spend more time on the things that matter to clients," principal strategist Lyn Bell says.

Many of Logiro's staff work from home, logging into the system from anywhere in the world, which reduces the firm's overheads. The SaaS systems also automate many administrative tasks. Scanning a barcode on a letter of authority triggers a whole series of tasks, such as sending a thank you email or investing in some product.

"In the early days clients were naturally apprehensive about using online software, for some it was as simple as being reluctant to embrace change, others were understandably concerned with data security and integrity? Bell says. "In the eight years that we have been using these services, we have never found security to be a concern."

For many medium companies the transition to web-based software provides a

big improvement to their data security because externally hosted data provides a higher level of security redundancy and disaster recovery options than many could afford to provide within their own computing facilities.

The main challenge for accounting practices that offer web-based accountancy services lies in finding staff who possess the right skills to use the software.

Tim Johnston, the managing director of Booksonsite, says accounting SaaS is the most cost effective approach for small and micro businesses and will ultimately enhance the level of service they can afford, although he says larger businesses will still require face-to-face support.

"The increased accessibility does provide greater flexibility to our staff. However, once a business reaches a certain size you do require face-to-face contact with the client due to the physical volume of paperwork and the level of interaction required between the bookkeeper and the client," Johnston says. BRW