



STUDY ON NATURE OF COST OF CLOUD COMPUTING OR ACCOUNTING PRACTICES WITH REFERENCE TO BIG SCALE COMPANY AND SMALL AND MEDIUM SCALE ENTERPRISE - A THEORETICAL ASPECT

ABSTRACT:

Objectives of the study is to find out the amount (cost) paid by big scale company and small & medium scale enterprise and it is compared with benefits that derive by using it. This study focused on issues, that is the nature of cost that is associated with cloud computing service models. According to nature of cost, it is divided into two parts namely one is fixed cost and second is variable cost. Study explore that which type of nature of cost are best suitable to big company and small & medium scale enterprise associated to cloud computing service models. There are three types of cloud computing service models (1) service related to infrastructure (2) service related to platform (3) service related to software. All those cloud computing service models and cost associated with each model and benefit associated with or by using it. How big scale company and small and medium scale enterprise are benefited by using which types of cloud computing service models. This study concluded that for big scale businesses the Cloud Model of Infrastructure as a service is advisable while for small and medium scale businesses the Cloud Model of Software as a Service is suitable.

Keywords: cloud computing, cloud accounting, Infrastructure, Software.

INTRODUCTION:

21st century, which is full of information and communication technology (I.C.T) slowly and gradually day to day innovation are the creation of human mind and increase the trends of using new and latest technology which is birth of computer science. I.T. revolutionize all the field of all over the world day by day increasing the awareness and users of information technology. Now accounting system has also considerable change or affects by computer science and technology. Cloud computing technology gives new dimension to accounting like online accounting, cloud accounting, mobile accounting. Cloud accounting gives numerous benefits to all the types of enterprise professional and accountant. cloud accounting provides real time information, no physical presence is needed, unlimited storage, back up security, capital expenditure is converted into revenue expenditure, no hidden charges, and automated updated. universe have one rule that no one have full of advantageous. So any one in the universe have some advantage as well as limitations also so it is also applied in terms of cloud accounting now transparency level is reduced, confidentiality and secret is not maintained, internet connections is necessary without internet connection cloud accounting can not access, chances of hacking or misappropriation of data is also there.

Cloud computing is define by National Institute of Standard & Technology (N.I.S.T) "cloud is define as a modal for enabling ubiquitous convenient on demand network access to a shared pool of configurable computing resource (e.g. network, server, storage, and applications) that can be rapidly provisioned and released with minimal management effort or service provider interaction "

Cloud computing is a model which gives an infrastructure (gives control on operating system, storage & back up, network and applications) platform (control on application) software (service or permission to run a particular software) as service. Cloud computing is also known as online computing, mobile computing

Cloud accounting is a new terminology, which is a mixture of two branch one is known as computer science (cloud) and second is known as accounting (commerce). Cloud is already defining in first stanza. Accounting means recording, classifying and summarizing, analyzing, interpreting and reporting those economic transactions which are measured in terms of money. Accounting is known as language of business which gives summary of financial transaction i.e. Profit & Loss Account and Balance Sheet.

Cloud accounting means online feeding of data on cloud from any where at any point of time with internet access. Cloud accounting define as a process of data feeding and storing on cloud with internet access. It is a model which gives lots of benefits to accountants, accounting professionals, big scale company and small-scale company and all other stakeholders. Cloud accounting benefits to businesses as it provides safe security of data from contingencies, real time information, cost saving etc.

Big scale company & enterprise:

A company which has business on large scale and has large production capacity, sufficient fund, and which is capital oriented. Capital is utilized for technology purchase and capital expenditure. Which is utilized for the purpose fixed assets purchase.

Small and medium scale enterprise:

A company which has business on small & medium scale and has medium production capacity, sufficient resource or fund. Simple means shortage of fund and capital is not utilized for the purchase of costlier technology and fixed assets

Capital expenditure:

It means that expenditure paid to acquiring long term assets or fixed assets. In sample words capital investment

Revenue expenditure:

It means that expenditure paid to operational activity or day to day activities and for the purpose running business.it simple means to generating revenue

Fixed cost or expenditure:

Which remains fixed irrelevant of level of changes in production

Variable cost:

Which is keep on changing when the level of activity changes per unit cost remains constant, but amount keep on changing

LITERATURE REVIEW:

Belfo and Trigo (2013) suggested that what are the new trends in future that affects to professionals and accountants in accounting system. Some of the roles and responsibility that are already supported by new technology and some are identified as web services, mobile computing, cloud computing, environmental scanning, business process management etc.

Marston et al. (2011) revealed that cloud computing gives tremendous height to cloud accounting so using of cloud computing require understanding of various issues relating to it by both the party client and service provider. Here we do SWOT analysis for cloud accounting and computing study finds various issues that will affects to stakeholder. We give various recommendations for cloud service provider and user. Here some of the areas are remaining or untouched here the study or research required and facing by governmental agencies

Tarmidi et al. (2014) studied level of awareness and adoption of cloud computing among the small and medium enterprises in Malaysia from the accounting practitioners in audit and commercial field. The study concludes that only one-third of the respondents are aware of cloud computing. The main reason for adoption is cost and time saving while the reason for non-adoption is lack of perceived benefits and security.

Dimitriu and matei (2014) advocated that globalization gives expansion in transaction so also together with rapid changes in technology, rise in data maintain and storage. Digitization of business, increasing virtual reality, all changes take places and new technology takes into places which is known as cloud computing. Accounting is essential of any business activity. This articles focused on impact of cloud computing on accounting branch, what are the benefits by using cloud computing on accounting and also risk associated with using cloud computing on accounting. Our focused on that what are the pricing policy of cloud service provider and what are the key aspects for switching in traditional accounting and go for online accounting.

IMPLICATION FOR BUSINESSES SHIFTING TO CLOUD ACCOUNTING : POTENTIAL BENEFITS & ASSOCIATED RISK.

POTENTIAL BENEFITS:

(1) Safe security of data from contingencies:

In cloud accounting data are store on cloud so any contingencies happen (fire on premises where financial data are stored, theft od laptop in which important data are stored, Virus may affect your PC or Laptop in which data are stored) can not affects data. Data are safely stored on cloud that are managed by cloud service provider.

(2) Real time information:

In cloud accounting, data are automatic updated when it is feeded in cloud at any moments of time it gives real position of enterprise.

(3) Flexibility:

It gives flexibility to clients that data are automatic arranged in their format and their order when data are not in correct.

(4) Pay according to their use:

It is very easy and simple that pay how much you consume just like charge paid that you consume at some prevailing rate.

(5) Physical existence is not important:

When using cloud accounting, physical existence is not important client is operated from any where and data are feeded in cloud with network access.

(6) Unlimited storage on cloud:

When using cloud accounting, then in cloud unlimited storage is provided no specified capacity is there just like p.c. has maximum capacity of 1 T.B.

(7) Speed up transaction Save energy save time:

Cloud accounting speed up transaction, save time & energy, in compare to traditional accounting.

(8) Shared important documents which is stored on cloud at any moments of time with some internet access.

(9) Easy for auditing purpose:

when auditing is done by auditors then audit of books of accounting should be easy when books of account are prepared on cloud because some software are readily available for auditing on cloud.

(10) No hidden charges:

Cloud service provider and client are attached with contract. All the information and charges and terms of using this service is predetermined so no hidden charges are there just like updated charges and extra charges.

(11) Capital expenditure converted into revenue expenditure:

It means that when enterprise does not have sufficient resource then they have not been able to purchase long term technology. Because it is very expensive, but technology is very useful for their operational activity. So, cloud accounting gives them software as a service to use that technology and paid what you consume so problem of capital expenditure is solved and converted into revenue expenditure.

ASSOCIATED RISK:

- (1) Internet access is necessary with out internet access can not feed data because cloud needed compulsory with out it cloud is not operating.
- (2) Confidentiality is removed when using cloud accounting because data are not stored at P.C. because it is stored at service provider remote server.
- (3) Service is depended on service provider when it is not according to service level quality.
- (4) Service provider may charge additional cost for transferring data from servers to the premises of business.
- (5) As cloud accounting charges are based on number of users/uses so as number of users/uses increases the cost increases.
- (6) It requires knowledge of computer science, so it is difficult for the business owner and accountants who were not familiar with computer science.

FINDINGS & CONCLUSION:

Small scale enterprise has very limited resources and it is difficult to purchase new technology and therefore chances were that without internet connection accounting function could not be operated. So, proper management of accounting function is quite difficult in case of low server connectivity. Software as services is defined as cloud service provider provide software that can be used by client in remote server so by way of using these problems can be solved. Because paid how much you consume, it is quite easy to use software as services because it is treated as variable expense instead of fixed cost. Capital expenditure is avoided, or capital expenditure is converted into revenue expenditure. Cloud accounting services as software is advisable for small and medium businesses because that service models benefits are more for small and medium type of business as compared to other service models. Infrastructure as a services is highly expensive because in this type of service model, cloud service provider provide services related to control on operating system, control on software and backup (setup service) that is highly costly and they may not be affordable by small & medium scale enterprise because level of activity is at average and it is suitable to those enterprise that has production at large scale.

This study concludes that infrastructure service models is highly expensive, so big scale company can use it properly and benefited more by using it because their production is at large scale and while in case of small and medium scale enterprise they can not afford infrastructure because it is highly expensive. Study also concludes that software service models is like variable expenses because in software service models expenses paid according to consumption and in small and medium scale

enterprise is highly benefited because their production is average or medium and low, so it is affordable and while in case of big scale company it is costlier because production is at big scale.

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