



Accountants Guide

How to Fast-Track Your Journey to Cloud Accounting with Xero



About the author



Greg Tuckwell is an accountant and entrepreneur. As Director of the Poole Group accounting firm and CEO of Zerobooks.com, Greg understands the day-to-challenges of running an accounting firm, managing staff and looking after clients, while contending with ever-changing technology, “going to the cloud” and implementing Xero.

In this guide you’ll learn from someone who has travelled the journey you’re embarking on, with successfully moving to cloud accounting and implementing Xero with clients.

Happily, Greg led his firm along that journey at remarkable speed, going from a standing start to **Xero Accounting Partner of the Year within the space of six months.**

Enjoy your journey to the cloud, and feel free to reach out to Greg and the Zerobooks team via the website www.zerobooks.com and blog at www.zerobooks.com/blog.

You can also connect with Greg and Zerobooks on...

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The Cloud – Our Brave New Future is Here

The introduction of cloud technology has created **one of the biggest game changers for small business that many of us will ever see**. [Some commentators](#) are suggesting that we will look back in the future and compare this period with the Industrial Revolution in terms of the disruption that is occurring to the way businesses operate.

These changes won't occur without threats to the way people do business, and at the same time it will also present some unique opportunities.

The accounting and bookkeeping professions are at the forefront of these changes and are in the prime position to make the most of the opportunities that will present themselves. The opportunities are based around changing the way our own businesses function and the opportunity to develop new avenues of revenue as we then help our clients re-engineer their processes to be more productive, efficient and, ultimately, more profitable.

The cloud has changed the way that businesses now operate and the way they interact with suppliers, clients and staff. No one is in a better position to help businesses make the most of this opportunity than the progressive accountants and bookkeepers of the world.

In taking up this challenge accountants have the opportunity to restructure their practices to utilise the benefits of the cloud and then **create a raft of value adding advisory services and successfully move away from the traditional tax and compliance model**.

Interestingly, Michael 'MC' Carter of [Practice Paradox](#) talks about how 9 out of 10 accounting firms state in benchmarking surveys that they want to provide more value-add, non-compliance services to their clients, but the very same benchmarking data reveals that only 1 in every 10 accounting firms actually achieves this, to cross what MC describes as *The Value-Add Chasm*.

The adoption of the cloud technologies now gives firms the opportunity to embrace and achieve these goals, and to finally cross The Value-Add Chasm.

Consulting firm AltusQ recently conducted a study analysing the results achieved by firms that had moved to the cloud using the Xero Practice Studio (XPS) suite of tools. The reported results showed improvements in the businesses including:

- Higher profit margins
- Hugely more efficient
- Improved billing process
- Increased value of client work
- Better quality clients

However one of the key findings from the AltusQ report was that **the transition to the XPS model “delivered tangible improvements that result in a significant return on investment”**.

The adoption of the “cloud” and Xero Practice Studio model forms the basis of what is often referred to by Xero as “The Modern Practice” and “The Connected Advisor”.

This paper outlines what we’re observing *The Modern Practice* looks like in reality and the steps any firm can take to transform from being a traditional accounting or bookkeeping firm to a truly modern practice.

Let’s look at 5 traits of The Modern Practice...

5 Traits of 'The Modern Practice'

A lot of people talk about *The Modern Practice* as being the result of the transition to the cloud. But what is a Modern Practice? What does it *look* like?

In my view there is no fixed definition of what a Modern Practice looks like as I've seen a range of different styles of firms, yet I would consider many of them to be 'modern'.

The biggest rule seems to be that *there are no rules*. Having said that, I have noticed some common characteristics of modern practices. The following is not a definitive checklist as modern firms could show all, some or none of these characteristics:

1. **No set rules:** Owners have the flexibility to structure their practice in relation to specific service offerings and/or industry specialisations they are targeting.
2. **Focused:** Usually focused on a particular industry with their service offerings based on their experience, skills or passion.
3. **Collaborative:** They tend to have a more collaborative approach to achieving client solutions by working with other specialist providers, as opposed to being protective of clients.
4. **Cloud-based:** They have adopted a cloud-based solution for their practice.
5. **Outsourcing:** They tend to adopt outsourcing for a lot of their basic processing and data entry which frees up capacity, allowing them to focus on and grow higher value services.

Our accounting firm, the Poole Group, went from being in the dark about cloud accounting and the power of the Xero model, to six months later being named Xero Accounting Partner of the Year in Australia. A big part of achieving that came from identifying we rapidly wanted to achieve:

- **Removal** of the data entry functions from our internal processes
- **Improved** productivity and efficiency of our staff through *elimination, automation and delegation* of non-productive, lower-value processes
- **Reduced** write-offs and increased average hourly rate of professional staff.

We quickly realised that was difficult for our accounting firm staff to achieve, as they were too busy and immersed in day-to-operations just looking after clients, meeting tax deadlines and getting jobs out the door.

As tax and business advisors, we don't want our accountants in Poole Group messing around to get all this right. It's crucial to get it right, however, as good advice can only begin once the accounting data and reports for the client are up-to-date and accurate.

We went looking for the best way to fast-track the achievement of these goals:

- Set up of new Xero files
- Help with clients' bookkeeping
- Set up of our Xero ledgers for non-Xero clients
- Ongoing population of Xero ledgers from clients' other accounting files such as MYOB and QuickBooks
- Preparation of our Xero Workpapers

At the end of our search we realised three things:

1. No-one was providing the service we were looking for in these areas
2. Our accounting firm desperately needed this support service
3. Therefore, we needed to create it.

So we did. That's why we have built the Zerobooks.com system and team; to provide accounting firms (including our own) with a reliable and efficient outsourcing option to allow us to eliminate, automate, and delegate the lower-end Xero bookkeeping tasks.

Zerobooks.com has become a turn-key solution for helping accounting firms adopt the use of Xero, Xero Ledgers and Xero workpapers across their firm.

We're finding that progressive accountants who understand that the most value they can add to their clients is in the higher-level advisory conversations and services, are using Zerobooks to rapidly free up capacity to allow them to focus on advisory work.

Joe Walsh of JWA Accountants shared the following with us:



"We've tried offering bookkeeping services ourselves, in-house. It's too hard and too expensive. And we've tried referring the work on to various bookkeepers. That didn't work either. Too fragmented and not consistent enough, in terms of what we receive from each bookkeeper. But we know that our clients need accurate, professional, up-to-date bookkeeping done for them. They don't do it properly themselves. And without accurate, up-to-date bookkeeping and accounting data we can't provide the timely management advice we want to, as business advisors. By outsourcing our bookkeeping services through Zerobooks, we achieve exactly what our clients need, and Zerobooks produces the work in a more timely and cost-effective way than we ever could, doing it in-house. Zerobooks is a smart outsourcing solution for any accountant looking to focus on advising their clients, rather than having to spend time fixing their basic bookkeeping and record keeping."

Joe's comments sum it up: **For an accounting and advisory firm, it makes sense to outsource these kinds of tasks.** We know that clients don't value the work done in correcting their data entry and bookkeeping inadequacies, yet it takes a lot of time and leads to work-in-progress blow-outs.

Our goal with creating Zerobooks was to enable our accountants and advisors in the Poole Group to help our clients more, through providing our advisory services. This adds far more value to clients than standard tax and compliance work, and generates additional revenue streams for our firm. It's a win-win.

But why did we choose Xero over the alternatives...

Why the Xero Model Wins Over other 'Apps'

When the Poole Group started investigating the cloud opportunities we looked at and evaluated the options available. At that stage there were two players in the cloud accounting space and the incumbents—the well-established suppliers of traditional desktop accounting software—had not recognised the need for a cloud-based product.

Even though we could see that cloud-based accounting made logical sense, we had some concerns the new cloud-based products on offer didn't provide all the features our clients would want, in particular, payroll.

We attended two major technology conferences that were hosted by each of the main players. After attending the Xerocon conference in Melbourne and learning that Xero would release payroll the following year, and also getting a clearer understanding of the power of the Xero 'app ecosystem', **we realised that the Xero vision offered our clients and our practice a new fresh approach to structuring our businesses.**

We also realised it meant that accounting firms had available to them a new level of client/accountant relationship; one where accountants as business advisors could play a key role in helping business owners create far more efficient and profitable businesses.

It was clear to us that Xero owned the cloud accounting space in Australia and was the leader in these cloud services. From our point of view and the feedback from our clients we quickly realised there were many benefits to adopting the Xero platform including:

- Real-time financial data from clients
- A single ledger shared with clients so we can log on, see the same figures they are seeing, and therefore be able to respond to requests immediately
- Fewer errors, better quality data
- Better time recovery and lower write-offs on our Xero files
- Fixed Price Agreements leading to less client disputes
- Monthly fee structures to lower debtors and improve cashflow
- Better reporting abilities with up-to-date information allowing better client service
- Ability to provide value-adding services to help business clients move to the cloud
- The Xero app ecosystem provides opportunities to help clients re-engineer their businesses and create opportunities for the accounting practice to offer exciting new services that offered clear benefits and value propositions to clients

To us, Xero was the clear choice. A 'no brainer'. So then, our Xero journey began...

The 6 Steps of our Xero Journey

To adopt and implement a whole new system across our practice was a major decision and having been burnt by a previous transition from one platform to another we took a longer term view.

We knew we would have to train and re-skill staff so we implemented a transition program that allowed us to phase in the platform on a timetable that reflected the anticipated release of Xero's tax modules.

We also adopted an approach that **focused on areas we believed would provide the greatest benefits and lowest disruption** to our firm as we ramped up to the end goal.

The journey we embarked on was built around the following six steps which allowed us to evaluate the feedback, make adjustments and then move to the next stage when we were satisfied with what was in place.

Our Xero journey consisted of:

1. **Learning the basics:** Learning the Xero program ourselves to understand how it worked and the benefits to our clients.
2. **Client feedback:** Introducing Xero to our clients to gauge their feedback.
3. **Exploring the ecosystem:** Understanding how the app ecosystem integrates with Xero and how this can be used to help clients improve their businesses.
4. **Xero Ledgers:** Establishing Xero ledgers for our non-Xero clients so we can operate our practice across a single platform including using Reporting tools such as CrunchBoards, Fathom and Spotlight for all our clients.
5. **Xero Workpapers:** Trial and introduce Xero Workpapers to have a uniform approach and processes across the firm.
6. **Efficiency:** Identify ways to utilise the cloud based platform to reduce the level of basic processes in-house and have our staff focus on higher-level value add services.
7. **Practice Management:** Implementing the Practice Management Suite

We chose to leave the adoption of the Practice Management suite until last as we felt this would create the greatest disruption in our practice with the least tangible benefit.

This approach may be a little controversial in some people's eyes but **we believed the adoption of the accounting platform first would be more likely to generate immediate efficiency gains** and help to generate support internally from our staff who may have been reluctant to change and adopt the new approach.

The other major issue for us was that we wanted to build this new process from the ground up and didn't want to set up processes and systems based on our old model. We were committed to changing our whole approach and to re-engineer how our business was structured and how it operated.

We have successfully adopted the first 3 steps and have trialled steps 4 to 6 through my team. Through the trials we determined the benefits we sought were achievable and we are now rolling this strategy out across the firm of 60 staff and expect to be fully cloud-based by June 2015.

So our journey continues...

Our Take On Xero, the Accounting App and Business Platform

Our first step was to understand Xero and we quickly realised this **isn't just about changing an accounting system but rather, a whole new business platform** for both our clients and our own practice.

The Xero platform offers several components that integrate to deliver a full suite of practice management solutions. These modules and their benefits include:

- **Xero Accounting**
 - This module is the predominant accounting package for our clients to run their business and integrate with the add-on partners in the ecosystem.
 - The use of a common ledger eliminates the need for backups and then updating clients' data files. This avoids all sorts of problems with data files.
 - The ability to call up and look at live data whilst talking to a client and therefore provide immediate answers to their queries is a major plus.
 - The integration of the ledger with the firm's practice management and tax packages offers tremendous efficiencies.
 - The ability to integrate with other programs in the Xero app ecosystem to create a business platform rather than just an accounting package is a clear differentiator for Xero compared to other cloud accounting packages.
- **Xero Ledgers**
 - Xero Ledgers allows a practice to handle all their clients who are not on the Xero accounting package.
 - Ledgers look the same as Xero but have no bank feeds or invoicing functionality.
 - It allows the use of add-on reporting partners such as CrunchBoards, Spotlight and Fathom for non-Xero clients, thus enabling the firm to adopt standard operating templates and platforms across the firm.
 - Provides a standard process and operating system across the firm.
 - Allows the use of electronic workpapers and tax lodgments for all clients

- **Xero Workpapers**

- Xero Workpapers allow us to utilise a standard process across the firm for the preparation of client work.
- It provides integration from Xero Accounting files and Xero ledgers to generate a set of workpapers for the preparation of financial statements, Tax Returns and Business Activity Statements (BAS).
- It allows direct updates to the Xero files by uploading journals directly
- Workpapers can be saved as a PDF file for review or archiving
- It also allows documents to be added and integrated within the workpaper package.

- **Xero Tax**

- This module is located within the Practice Manager package and allows us to prepare and lodge BAS and Tax Returns online.
- At this stage there are only a limited number of tax returns available but we are happy with what we have seen to date and are preparing ourselves to be ready when the balance of the returns are rolled out.

- **Practice Manager**

- This package, as well as containing the tax modules is designed to manage workflow and incorporate a timesheet and billing function.
- At the moment we are utilising this to prepare and lodge BAS and Tax returns and to manage our Zerobooks.com team.
- We will adopt this module in full once we have finalised the integration of the other functions and restructured our workflows.

There are still some areas that need fine tuning by Xero but we are expecting a number of releases over the next 6 months so are preparing our firm to be ready for the transition.

We believe that as an accounting and practice management system Xero offers our firm a number of features that improve our performance and provide the ability to offer our clients an innovative solution to their own business structures.

Next: The rollout. Where the rubber hits the road...

Making the Xero Rollout Happen with an Outsourcing Partner

Once we had tested and embraced the Xero model and received the positive feedback from our clients we knew we had the basis to restructure our business and to join the ranks of *The Modern Practice*.

We trialled the Xero ledgers and workpapers and found that there were positive and negatives that needed to be overcome in order to achieve our goals. However, with expectations of what Xero had stated they had in the development pipeline and understanding the benefits of having our whole practice on this platform we started the restructure and re-engineering of our practice.

Our first major step was to utilise outsourced staff to handle some of the basic data processing so we could instantly free up capacity.

We originally started with one outsourcing group but soon realised that the model they utilised wouldn't meet our needs.

We then looked to the Philippines and set up Zerobooks.com as our outsourcing partner. **The Poole Group uses Zerobooks.com to take most of the data processing out of our office.** The model now focuses on 4 key areas:

1. **BOOKKEEPING:** Bookkeeping for our clients which provides efficiency benefits to our clients and delivers our information in a consistent, uniform manner. In particular this service includes:
 - o Handling of Accounts payable utilising Receipt Bank
 - o Bank reconciliations within Xero
 - o Assistance with Debtor Management
 - o Setup of payrolls for the clients
 - o Preparation of reports for the Accountants to speak with clients.

2. **XERO LEDGER SETUPS:** Set up Xero ledgers so that all our clients were on the same single ledger platform across the firm and we were able to adopt better reporting options via the add on partners.
3. **XERO LEDGER UPDATES:** Ongoing population of Xero ledgers from clients MYOB/Quickbooks/Sage files to remove this process from our office and to free up our accountants' capacity.
4. **XERO WORKPAPER PREPARATION:** Set up of Xero workpapers for our clients' files so the accountants just need to review the files. This then removed the initial file setup and population of data from our office.

As you can see, the combination of using Xero and the Zerobooks support services allows us as an accounting firm at Poole Group to apply the Eliminate, Automate, Delegate approach to free up capacity and serve our clients well.

Zerobooks.com now has a Philippines-based team of Degree and Xero qualified staff providing these services to not only the Poole Group but also other accounting and bookkeeping firms who are looking to remove the data processing functions and focus on their core activities and the growth of their business.

Whilst there are a multitude of outsourcing options we designed the Zerobooks.com model so that it offers a number of benefits compared to other options:

- Zerobooks.com is a Xero specialist and only works with Xero files.
- All our professional staff are degree qualified and Xero certified
- All our staff have been trained by the Australian Xero team from the Poole Group
- **We are the only team who currently provides a service to set up Xero Ledgers** and utilises a software program developed in-house to expedite this function
- The Zerobooks.com model offers economies of scale and avoids the costs of setting up a solution from scratch.

One of the biggest things to come out of our processes was confirmation that clients did not value the efforts we put in to correct their bookkeeping. We have introduced many of our clients to Zerobooks.com as a bookkeeping solution for their businesses. We then packaged the service as part of a bundle which included their tax returns being prepared for the same value as the previous year. Not one client has objected to the pricing model.

This has improved our margins, decreased our write offs significantly and free up capacity to allow us to focus on other higher value services for clients.

The Implementation Journey - What We Learned Along the Way

We structured our journey to deliver the biggest benefits and the lowest level of disruption as we rolled out the platform.

The process wasn't without its hurdles, and we certainly learned some lessons along the way. But the overall end goal and benefits we're starting to see are well worth the effort, and in line with the AltusQ survey results.

If we went through the process again we'd adopt a similar approach, and we'd give firms looking to make a similar move the following advice:

1. Understand the Xero offering

- Get Xero Certified.
- Use Xero for your own accounts.
- Become familiar with reporting options such as CrunchBoards, Spotlight and Fathom.
- Move your clients to Xero.
- Promote your Xero services through client events, and use people such as the [Addon Success](#) team to help present them. (Xero will subsidise the cost of any client events).

2. Develop the blueprint for your modern practice

- What services do you want to offer?
- What services do you want to delete/outsource? Can companies such as Zerobooks.com help remove unproductive data entry from your office?
- Are there any industry (vertical) specialisations you want to pursue? Specialist advisors such as [Practice Paradox](#) can help you decide on your business and marketing strategy.
- Are there any add-ons you want to focus on to complement your services, such as Receipt Bank, Vend, Deputy, Tanda?
- Get to know the integrators and how they can help you deliver new services to your clients. Find out which ones (e.g. TradiePad, Rype, SMB Consultants) can complement your target market/services.
- How will you market your new services? Specialists such as Practice Paradox help accounting firms develop and implement marketing strategies. We use them.

3. **Once you've decided to implement the Xero platform, migrate your non-Xero clients to Xero ledgers**
 - Migrating your non-Xero clients ensures your practice operates on one platform.
 - It lets you offer improved and more meaningful reporting options to your clients.
 - You can either do this in-house, or outsource it to a company such as Zerobooks.com so you can focus on servicing your clients.

4. **Educate your team throughout the journey on:**
 - Understanding Xero, which will need to happen whether or not you implement the full suite.
 - Understanding the blueprint for your new modern practice.
 - Understanding how Xero Ledgers and Xero Workpapers operate.
 - Choosing and implementing your preferred reporting system(s).
 - Developing and marketing new advisory services to suit you and your business.

5. **Implement**
 - Implement your new business model.

If that all seems like a major project, you're right. The good news is there are a number of specialist providers you can use to help make it happen...

Recommend Resources

Moving a practice to the Xero platform and introducing new services can be a big (but very rewarding) task. Plenty of services exist to help you transition and deliver your new services. Here are some of the services we've used:

- Developing the strategy blueprint and positioning your practice: [Practice Paradox](#)
- Setting up Xero ledgers: [Zerobooks.com](#)
- Reporting package options: [CrunchBoards](#), [Spotlight](#), [Fathom](#)
- Preparing proposals: [Practice Ignition](#)
- Populating Xero ledgers and Xero Workpapers: [Zerobooks.com](#)
- Delivering client events: [Addon Success](#)
- Article writing for your blog and eNewsletter: [Practice Paradox](#)
- Delivering add-on solutions for clients: [TradiePad](#), [Rype](#), [SMB Consultants](#)
- Outsourcing client bookkeeping solutions: [Zerobooks.com](#)
- Implementing Practice Manager: [HubOne](#), [ChangeGPS Tech](#)

Don't try to go it alone. Tap into these specialist providers and you'll implement faster, with less stress and better results than trying to do it all yourself, in-house.

Summary

The advent of the cloud has brought unprecedented opportunities for businesses—particularly accounting firms—to introduce new levels of productivity and a raft of new services.

Xero's cloud-based accounting and app ecosystem platform brings these opportunities to accounting firms and their clients.

Accounting firms need to be across the cloud offerings, as clients are already moving away from firms not offering cloud and Xero products. **At Poole Group we are regularly attracting new clients because their accountants don't work with Xero.**

The Xero platform is delivering clear benefits to our firm and to our clients.

Moving our data processing to Zerobooks.com has played a major part in removing unproductive tasks and improving efficiencies within the office.

The world is undergoing a major transformation in the way business owners operate their businesses. You need to be part of that transformation. Otherwise in 3 to 5 years time you'll be looking back and realising you've missed the boat.

Next Steps

If you'd like to have a chat with me about our Xero implementation journey to date, [get in touch](#). I'd be happy to shed more light on anything I've shared with you in this eBook.

You can learn more about how you can plug Zerobooks.com in to your firm to free up capacity for you and your team via our website www.zerobooks.com and in particular on our [Accounting Partner Program](#) page.

We regularly publish articles on our blog at www.zerobooks.com/blog about the practical aspects of rolling out Xero in a firm. You can subscribe to our eNewsletter on our home page to have those articles delivered into your inbox each month.

And feel free to connect with Zerobooks.com in [LinkedIn](#) and [Twitter](#). We regularly publish updates, links to articles, and our (often contrarian) perspectives.

Keep implementing! The journey is well worth it, for you, your firm and your clients.

Greg Tuckwell
CEO, Zerobooks.com

4 Ways Zerobooks.com frees up advisor capacity

Work you do now
Your 'Life before Zerobooks'

Zerobooks
will handle for you...

Leaving you free to focus on
Your 'Life with Zerobooks'



For more information visit <http://www.zerobooks.com/accounting-partner-program>