

Accounting Transformation in Digital Era

Manisha Verma¹, Rajanikant Verma², Utkarsh Tripathi³

¹Associate Professor, Hans Raj College, University of Delhi

²Professor, Zakir Husain Delhi College (Evening), University of Delhi

³Research Scholar, Delhi School of Economics, University of Delhi

ABSTRACT

The progression of technology has undeniably yielded a profound and incontrovertible influence upon the realm of accounting. Historically, accountants relied upon manual calculations and paper-based ledgers to reconcile financial statements, a practice that often resulted in the generation of imprecise and labour-intensive financial records, plagued by numerous computational inaccuracies. However, within the context of the present dynamic era, enterprises specializing in technology have pioneered the conception and refinement of automated accounting software, thereby facilitating a streamlined, precise, and time-efficient accounting process. Over recent years, the landscape of the accounting profession has experienced radical metamorphosis following the advent of blockchain technology and artificial intelligence, which have indelibly revolutionized the very foundations of accounting, ushering in new paradigms and prospective trends.

Contemporary commercial entities aspire to direct their accounting personnel towards the pursuit of elevated accounting and fiscal objectives, relegating rudimentary accounting procedures to a secondary role. This paradigm shift necessitates accountants to equip themselves with proficient technological acumen, thereby enabling them to proficiently harness the capabilities of artificial intelligence in the discharge of their responsibilities. Notably, the cardinal focus of accounting technology has transitioned from mere summarization to comprehensive data analysis and evaluation, thereby engendering the derivation of insightful and efficacious conclusions.

In the broader global milieu, the viability and permanence of enterprises are contingent upon the strategic integration of accounting systems aligned with contemporary technological advancements. This research endeavour seeks to elucidate the centrality of technology within the traditional echelons of accounting, elucidating how enterprises can leverage pioneering automated accounting technology to attain a competitive first-mover advantage, mitigating inefficiencies in operational performance and decision-making.

The primary objective of this research paper is to attain a comprehensive grasp of the pivotal role that information technology assumes in transmuting conventional accounting processes in a manner characterized by transparency and substantive impact. Furthermore, this study delves into the limitations inherent to information technology, while also contemplating the future vistas that beckon the domain of accounting within this digital epoch.

Keywords: Information Technology, Accounting, Blockchain Technology, Artificial Intelligence, Accounting Software

Introduction

Over the past few decades, technology has played a very significant role in transforming the accounting system by bringing different accounting tools and sophisticated software solutions. In the early 90s, many diverse technological challenges were experienced by accounting firms and their professionals due to rigidity in traditional accounting practices. However, with the passage of time, the world has witnessed drastic changes in the accounting industry and realized the potential of new technological developments that can bring a plethora of opportunities for the industrial world. The integration of technology and accounting has changed the method of recording, analyzing, and reviewing financial data and restructuring the foundation of accounting methodology. Growth and development in the information technology have brought digital revolution to different spectrums of economic, social, professional, and cultural fields to bring improvement in business transacting processes.

Those accounting firms that are aiming to expand their business and diversify their services, automation has become a very crucial tool for empowering accountants to eliminate manual tasks. After the arrival of tax automation technologies which are highly supported by artificial intelligence and machine learning, accountants will be able to perform their tasks with less time by enhancing precision and streamlining complex tax procedures. Additionally, cloud-based software integrates all the steps of preparing financial statements from ledgers to balance sheet. In today's dynamic environment, accounting technology is necessary to meet clients expectations by delivering fast and accurate accounting services. Also, the utilization of blockchain technology validates all transactions originating from across the globe and makes it extremely challenging for those who try to manipulate the data by having unauthorized access.

Evolution of Technology in the Field of Accounting

The journey of accounting technology has been prolonged and complex as there have been drastic changes occurring in accounting through the ages. To understand the significance and progression of the technological era, we need to venture back to the time before the arrival of the digital age. In the year 1494, the Italian mathematician Luca Pacioli (also known as the father of accounting) introduced his book based on the double-entry bookkeeping method and the set of principles suggested by Pacioli during the Italian Renaissance are still useful in today's era. A couple of centuries passed while developing accounting technologies and in the year 1969, the spreadsheet revolution took place in the accounting world which made significant transformations in the way accounting was processed. One of the first ever created electronic spreadsheets was LANPAR (the language for programming arrays at random) which was further utilized by big corporate houses for their national-level operations for budgeting.

It is very interesting and captivating to see how accounting technology has evolved over the years, from traditional accounting methodology to modern accounting software such as Microsoft Excel. This evolution has indeed made a greater impact on the role of accountants by enabling them to bring more efficiency to their work and making them less reliant on manual calculations. In the same way, recent technological advancements in artificial intelligence, machine learning, and automation have taken place. AI-driven accounting software can significantly handle several sets of tasks simultaneously and provide the right direction to accountants in identifying and overcoming problems like manipulative and fraudulent transactions and compliance concerns. After the evaluation of AI performance and its efficiency, the future of accounting technology is looking optimistic and favourable to the whole accounting industry. As AI continues to grow, it's necessary for accountants to equip themselves with AI-powered tools and acquire technological skills to understand the advancement in the accounting processes, which will further shape

the role of accountants in the industry.

Literature Review

Rodney (2021) has analyzed the impact and challenges of artificial intelligence in the future of finance and accounting, where the significance of automation has been highlighted, and how it has extended computational technologies in the field of accounting. Artificial intelligence has introduced drastic changes in accounting and finance industries by eliminating manual processing of accounting tasks and enabling firms to become the most progressive, advanced, and cutting-edge in the current digital era.

Marco, Bianchi, and Manetti (2022) have put in reflection on how digital technologies and advanced innovations like Blockchain and AI are reshaping the future of accounting and auditing which can be very beneficial for accounting firms in generating revenues and accessing first mover advantage. Blockchain has completely transformed accounting practices by improving the speed of transactions, assuring reliability in data security, and financial report analysis, and creating a transparent tech environment within an organization.

Kumar Das (2021) has researched and analyzed the impact of information technology on accounting systems and how business entities are adopting computerized accounting systems to create a technological edge in fulfilling the information needs of an organization which will lead to better decision-making and efficient work environment. He has also explained the need for today's accountants to keep upgrading their knowledge and skills to deal with the complexity of technology in a significant manner.

James H. (2002) has investigated and put in reflection on the impact of digital technology on accounting behavioural research and how humans can integrate with computers to identify technological threats and opportunities for accounting firms in the global business community. With the incorporation of communication and digital technologies, the accounting profession will witness drastic changes that will impact the performance and cognition level of accountants.

Ahmad, Omar, and Syed have done an empirical study of emerging technological innovations in the field of accounting and how these digital innovations have changed the role of accountants from posting and generating accounting statements to automation in completing tasks. They have tried to develop the cause-and-effect relationship between accountants and other emerging technologies like artificial intelligence, blockchain, cloud computing, and other accounting software.

Need and Scope of the Study

The role of technology in transforming accounting practices has become an important topic of research in the dynamic business world due to its impact on accounting processes after the arrival of new technological developments in the accounting industry. Moreover, automation can make it easier for accountants to access real-time financial information and data visualization strategies in less time which brings accuracy, reliability, data security, and cost-effectiveness in the accounting process. It has become necessary to analyze the impact of digitalization on the changing roles of accountants and how finance and accounting professionals can survive in the digital era which keeps transforming due to the complex evolution of accounting in the era of globalization. It's necessary to understand the challenges and opportunities for accounting firms as they have to face tough competition in the businesses of all sectors of the economy and keep their systems updated so that forecasting, budgeting, tax planning, and other accounting tasks can be done effectively and accurately to accelerate the speed of new tech innovations. Nobody would have thought about this fast-changing world of technologies which will have a long-lasting impact on

transforming accounting practices. In this research paper, an attempt has been made to understand the futuristic approach to technology in the field of accounting.

Research Methodology

The present paper has been concluded by collecting data and research materials from secondary sources of data. Further, secondary data has been collected from various sources like journals, magazines, newspapers, and internet sources. Several theories support the title and reflect the clear picture of the role of technology in transforming accounting practices and all other concepts related to the given subject matter explained above.

Objective of the study

- To understand the changing role of technology in transforming accounting practices and how the evolution of emerging accounting technologies has drastically changed the accounting industry.
- To put in reflection on challenges and opportunities for accounting firms in the technological age to determine the impact on accounting and finance professionals.
- To ascertain the role of artificial intelligence in replacing accounting jobs and what skills are needed to be acquired by accountants to survive in the digital world.
- To develop a proper understanding of new technological innovations and how it is shaping the future of accounting firms.

Accounting Transformation in the Digital Era

In this dynamic era, change is the only thing that remains constant in the ever-evolving outlook of business. Professionals hired by business organizations across diverse industries consistently tussle with unpredictable market trends, operational challenges, and complex business environments, especially due to factors introduced by corona pandemic. But despite such arduous situations, digital technology has significantly contributed and played a pivotal role in overcoming these massive transformations and the accounting industry is no exception to this law of change. Digital technology has eliminated the need for time-consuming, lengthy, and repetitive tasks of accounting which has reduced the burden on accountants and gives autonomy to focus on strategic tasks that need their specialization, experience, and creativity. For instance, accountants can make proper utilization of conclusions and inferences derived from cash flow analysis which gives an edge to accountants for efficient financial planning for a longer period of time.

However, some misconceptions are prevailing in the digital world where technologies like cloud computing, process automation, blockchain, and advanced analytics will elevate accounting jobs in an unimaginable way. This is just the beginning of a new industrial revolution and should be treated as the first mover advantage for new-generation accountants, where they should always be ready to accept new challenges in the accounting profession and get their skills updated by covering the impact of adaptability. Since ages, transformation in technology has brought numerous benefits that have strategically improved business performances and reflected new developments in the technological era.

Emerging Accounting Technologies

Globalization has been proven as a catalyst for boosting the industry and service sector by broadening the horizons of technology with standardized growth and development and accounting has never been an

exception in dynamically evolving in the race of new technological developments. Empowering and integrating a range of technological tools will bring efficiency to accounting practices and nurtures efficiency, accuracy, and security. The list of some of the emerging accounting technologies are as follows-

- **Artificial Intelligence and Machine Learning:** After the arrival of artificial intelligence technologies, which specifically relied upon machine learning algorithms and different language processing, the overall picture of accounting practices has drastically changed by adopting automation in various accounting activities. AI has not only diversified the role of accountants but also changed the mindset of entrepreneurs to bring new emerging business models. AI is an advanced technological development that can eliminate unnecessary manual jobs and make it easier to perform repetitive accounting tasks, resulting in productive cost and time savings. AI plays a pivotal role in business financial health by properly analyzing huge quantities of financial data, further elucidating real-time insights. Some of the essential components and use cases of AI are –
 - Detection of fraud and manipulative activities
 - Forecasting and Budgeting
 - Tax compliance and audit support
 - Bookkeeping and data entry
 - Financial statements analysis
- **Blockchain Technology:** It has been one of the significant accounting trends for the past two decades. In a blockchain, diverse ledgers are allocated across many convergences in a broader network and whenever any transaction takes place, all the convergences in the blockchain commence working together to verify the transaction. In the domain of accounting tech, blockchain excels in highly secured and anonymous data processing. It is very useful for accountants and business professionals for its ability to improve the speed of the transaction and assure cost-effectiveness. Blockchain can easily fix the accountability of accountants by validating all the transactions and accountant's work simultaneously. In the arena of blockchain technology, accounting functions have undergone a complete transformation, which leads to enhancing reliability in analyzing financial data in a publicly accessible manner from the standpoint of time to the sequence of execution.
- **Cloud Computing:** The emergence of cloud computing has been one of the greatest discoveries in the technological era. This technology has enabled accountants to use remote servers and internet-based technology for storing, processing, managing, and accessing financial information to ascertain updated software solutions. It allows accounting professionals to get access to real-time financial information anytime by having an internet connection which gives flexibility to all those who reside in remote areas and also, they can collaborate with their clients easily. In the case of traditional accounting software, a person had to pay a specific amount of money to acquire licenses and hardware but due to the subscription model of cloud-based solutions, it has become very easy to eliminate unnecessary expensive infrastructure.
- **Predictive Analysis:** “The market is like a moving train that does not wait for anyone” This statement signifies the importance of proper scanning of the dynamic business environment for all business organizations and this can only be done using technological forecasting tools and predictive analysis that help business enterprises in timely risk assessment, analysis of future uncertainties and market opportunities. It has become a major challenge for companies to survive in the market without accurate forecasts and predictive analysis.

As per the study conducted by ACCA, accounting firms use predictive analysis majorly in determining accounting and financial fraud, measuring financial performance, and shaping forecast patterns. 47% of accounting firms rely upon this forecasting tool for analyzing customer behavioural pattern and their respective preferences. This emerging technology is the foundation of all the growing companies in the economy by creating an impact on tax planning, revenue forecasting, investment exploration, audit planning, and cash flow management.

Impact of Artificial Intelligence in Replacing Accounting Jobs

Artificial intelligence has introduced several innovative methods to bring change in the methods of working in various industries, and accounting is not an exception. The scope of artificial intelligence in accounting is widespread and can only be beneficial for an organization if employees are able to adapt themselves with the changing technological environment significant for the accomplishment of tasks in an efficient manner. After the arrival of AI, accounting activities that fall under lower levels can be easily automated such as data entry, preparation of financial statements, and reconciliation statements. As per the study conducted by Oxford University, 40% of accounting jobs are heading to become automated by 2033, hence AI can replace lower-level accounting jobs. The world is witnessing the acceptance of artificial intelligence technologies in every specific domain such as accounting and finance. Meanwhile, experts agree on the fact that the loss of accounting jobs is a possible consequence of the disruptive power of AI invasion. This is the era of innovation where technology meets accounting to reconstruct and eliminate traditional accounting practices for improving productivity. From risk and portfolio management to financial planning, every complex decision can be easily taken by AI and create a possible threat to the existing accounting workforce. The role of accountants has become very limited and if they do not keep themselves updated with AI processing tools, there is a high chance of termination from the accounting industry.

Even, big corporate houses prefer employees who have evolved by learning modern accounting practices like automation, AI, and blockchain technologies. Due to the changing landscape of technology, it has become very economical for companies to deploy robotic process automation for basic accounting tasks such as record-keeping, analyzing, calculating profits, and preparing financial statements which has further reduced low-skilled jobs. But it does mean that all the accounting jobs will be at stake, however, the company hires employees with high human intelligence who know everything about prevailing technological changes and ongoing business challenges.

Challenges for Accounting Firms in the Technological Age

Advancements in technology have always brought challenges for every sector of the economy and there is a significant need for all the respective sectors to adapt to the new developments because of its widespread impact. Majorly, accounting firms are worried about the pace of discovery of new-age accounting technologies which will have a greater impact on the working of an organization. Some people believe that AI will replace them in the future with automation and companies will shift their preference from human workers to automated accounting systems due to less cost burden and accurate calculations. Often, technological changes are considered to be very productive but at the same time, they lead to several drastic challenges for accounting firms which are as follows-

- **Staff resistance:** Management of human resources has always been a major challenge for an organization and employees working in the organization are exceptional assets that need to be managed

and equipped with a digital framework but implementing these changes are not less than crossing a river. Over the last few decades, the accounting sector has witnessed drastic digital transformation and to keep pace with such complex transformation, employees need to acquire technological skills to understand the essential components of the fast-moving digital environment. Companies should always look at the challenge of implementing technological advancements to retain their employees.

- **Automation and AI:** This is the era of digital accounting where routine tasks of accounting can be easily done through automated accounting software which brings uniformity in methods and results generated and reduces the need for manual work. The possibility of errors will decrease and the level of accuracy will increase while using AI-based software. Accountants who are not tech-savvy have been compelled to lose their jobs due to their outdated information and lack of technical knowledge. That is why it becomes very challenging for firms to hire employees who can analyze and interpret accounting data by using AI and machine learning.
- **Cyber security:** This is the fact that technology has shaped the future of accounting and shown the best possible way to bring improvement and efficiency to the practice but every technology has some loopholes which we call cyber frauds and attacks. According to the report presented by SonicWall, there has been a rise of 62% in ransomware attacks between 2019 and 2020. At the time of covid outbreak, cybercriminals got a perfect opportunity to take advantage of the increasing digital infrastructure of the world. After the pandemic, the world has drastically shifted from the physical mode of working to a digital mode using numerous digital tools and data storage, which is why accounting firms should always prefer to protect necessary financial information from cyber-attacks and unauthorized access.
- **Cost of Technology:** Cost analysis has always been the key factor in making decisions related to any segment of an industry. Earlier, accounting activities were meant to be performed manually by accountants which was very time-consuming but inexpensive for the company, whereas after companies shifted to the digital era, they started using technological tools to get all the accounting jobs done and making an investment in advanced automated accounting software can be costly for the company. And, there is a huge need for technology for efficient planning and budgeting.

Opportunities for Accounting Firms in the Technological Age

In the twenty-first century, nobody can imagine this world without technology because it has a greater impact on people's lives, their way of working, decision-making, and communications across the globe. It has revolutionized the mental conviction of traditional accountants and affected every single segment of modern life due to prevailing factors such as increased competition, technological developments, and globalization. Likewise, the accounting industry has also undergone drastic potential changes to the way we manage finance and human resources, and create new opportunities for modern accountants. The manner in which finance and accounting professionals work and interact with their clients has evolved as a result of technology because they are provided with opportunities to focus on higher-level work with automation, as a result, their roles can be fixed and consolidated as advisors for business and finance. Some of the opportunities for accounting firms are as follows-

- **Accounting process optimization:** Digitalization offers an opportunity for accountants to make the best and most effective use of digital resources to eliminate accounting errors, improve overall efficiency, decrease time allotted to manual tasks, and foster financial data processing. Digital framework in accounting has overcome the challenge encountered by traditional accountants.

- **Real-time information access:** Organizations with excellent technological infrastructure can provide their accountants an ample opportunity to access financial information in a real-time. With the help of automation and cloud computing, accountants can easily navigate the point of transaction and get instant updates on profits, debt-equity ratio, cash flow position, and other financial indicators.
- **Client collaboration and engagement:** Digital innovation has been a milestone for the accounting industry that provides accountants an opportunity to reach their clients in less time and enables them to access real-time financial information. With the use of accounting software and automation, it has become easier for accountants to ensure smooth communication, secure access to data, and transparent accounting processing among their clients. It also gives clients the right to monitor changes in their personalized dashboards.
- **Cybersecurity services:** After the coronavirus pandemic, cases of cyber-attacks have consistently increased due to the revolution that took place in the digital world. To tackle this problem, accounting firms need to provide cybersecurity services to their clients to protect them from cyber fraud by complying with data protection regulations and framing preventive action plans.

Future of Accounting and Technology Transformation

The world has been eagerly awaiting the development of new innovative technologies for the past three decades to bring effectiveness into their workplace. The organizations engaged in the business of accounting and finance are acknowledging that if they don't adapt to the changes occurring in the business environment, they won't be able to compete in the market and will lose their chance to gain first mover advantage. That is why, modern-age accountants should always be confident and equipped with technological advancements to bring productive outcomes for the organization. The only factor that determines the value of technology is time as the working culture in a finance company in 2010 is greatly different from the working culture in 2023 because, in the period of 10 years, several financial software and digital products were introduced which has changed the role of employees working in the company. Digital technology in accounting is introduced to improve accountant's work and not to replace them from the system. Emerging technologies such as artificial intelligence, blockchain, automation, cloud computing, and IOT are used to analyze data to forecast future business uncertainties, reduce the workload of time-consuming tasks, and bring accurate financial reports for data-driven decision-making. Technology enables businesses to adopt diversified ways to present their data which leads to the smooth flow of communication internally and externally and it can be beneficial for people to analyze the data presented who possess different learning styles. This digital change can only be advantageous for the firm when financial and accounting professionals develop technological expertise and technical know-how to understand automation, data analytics, and coding in their work process. There is no doubt that accounting will have a bright and promising future because it is directly concerned with the economic health of our country.

Conclusion

The entire world is witnessing an era of industrial revolution where technology has been considered as the growth catalyst to all forms of business organization but its impact is constantly challenging the profession of accountancy. Rather than getting frightened by this digital change, make optimum utilization of these ongoing opportunities to capture big market space by accessing smart business strategies and conducting

continuous technology research. However, digital transformation has become more like using upgraded technological tools and methods to get access to any market and network at any point of time.

Advancements in technology can bring emerging challenges such as cyber security and staff resistance, but the opportunities offered by new technological developments can take an organization to a greater height. Accounting firms must set standards for their employees regarding technological skills so that they can compete freely with foreign accountants and get their positions fixed in the organization. The major portion of accounting jobs will be automated by using AI-based software to tackle the problem of excess time consumption and increased costs in the future. Accounting professionals need to keep themselves updated and familiarized with data mining and other techniques of data science to bring uniformity in their course of action. In the twenty-first century, all jobs can be performed by AI except administrative and managerial tasks. Moreover, the future of accounting will always be connected to technology.

Recommendations

In the present paper, various recommendations have been suggested to overcome the challenges for accounting firms in the technological age.

- Digitalization can only be successful when accountants are open to change and become part of a transparent vision for a tech-driven organization. They need to implement the required technological changes by learning automation and developing confidence in performing digital accounting tasks. Companies are advised to teach their staff members and provide them with freshly released software series so that they can become early adopters and complete the task. This will create a favourable tech environment.
- Accounting has experienced a substantial lack of expertise in data analysis for a very long time and earlier, data analytics has been a part of two specific domains i.e., marketing and IT but in the modern age, accounting has become a significant segment of automation and data analytics. To meet these occurring changes, the knowledge gap should be removed by empowering employees to develop technological capabilities and polish soft skills.
- Companies should always be aware of what's happening in the digital world by complying with regulatory requirements and making appropriate changes in accounting practices by ensuring the alignment of technology with data security regulations. To extract benefits, they should not violate regulatory norms and go beyond the rule of law.
- Proper identification of inefficiencies prevailing in the firm's workflow is required and accordingly take protective measures and preventive actions to automate and bring performance efficiency back on track, it can be made possible by focusing on strategic partnerships, where companies will have collaborations with institutes having a technological edge and conduct seminars to enable their employees to stay updated about latest digital advancements.

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