

FUTURE OF ACCOUNTING PROFESSION

Lica ERHAN, Associate Professor, PhD, AESM,

e-mail: lica.erhan@mail.ru

Marcela LUPAȘCU, AESM,

e-mail: lupascu.marcela10@gmail.com

Cristina BUZU, AESM,

e-mail: buzu.cristina06@gmail.com

Abstract. *The aim of this article is to explain the innovations that IT development has introduced in accounting processes and how prospective accountants should position between themselves in order to leverage this tremendous growth. The three changes evolving smart and digital technology, continued globalization of reporting/disclosure standards, and new forms of regulation are major challenges for the profession.*

Keywords: digital technology, IT development, forms of regulations, challenges, skills for the profession.

JEL Classification G10; M40.

1. Introduction

The accounting profession will face significant changes in the next three decades, and professional organizations, their members, and educational institutions should respond. Future accountants will increasingly need education in digital technology (including cloud computing and use of big data), globalization (outsourcing of accounting services), and evolving regulations (tax regulation, new forms of corporate reporting, integrated reporting regulation, and so on). The ACCA report revealed that knowledge of digital technologies is the key competency area where professional accountants have skill gaps. Globalization and the rapid development in information technology (IT), which has been ongoing for the past 50 years, have resulted in dramatic changes to the business environment and business education. IT expenditures have become a significant item on balance sheets. It is estimated that IT expenditures amount to more than one third of all capital expenditures.

The changes highlighted above pose challenges for both the professional accountant and the accounting educator. With the use of technologies such as the internet, E-commerce, E-auction, powerful business software and developments in transportation, communication and instantaneous information dissemination, business transactions have not only increased in quantity, but in complexity as well. The demands of the market have increased more than ever before. According to International Federation of Accountants (IFAC), the challenges of the 21st century must be met by education. Research has shown that there is a gap in competencies between current education and skill level, and what is required in the ever-changing business environment.[1]

The three changes—evolving smart and digital technology, continued globalization of reporting/disclosure standards, and new forms of regulation—are also major challenges for the profession (figure 1). Association of Chartered Certified Accountants (ACCA) research—*Drivers of Change and Future Skills*—has explored these important changes, expected to be encountered by the year 2025[2].



Figure 1. Future changes in accounting

First, accountants will use increasingly sophisticated and smart technologies to enhance their traditional ways of working, and these technologies might even replace the traditional approach. Smart software systems (including cloud computing) will support the trend toward outsourcing services (including more overseas outsourcing), and greater use of social media via smart technology will improve collaboration, disclosure, engagement with stakeholders and broader communities. Social media (including Facebook, Twitter, and Google search) will reveal more data (including alternative reporting) than any corporate assurance report and stakeholders will use tools to interpret “big data”.

Second, continued globalization will create more opportunities and challenges for members of the accounting profession. While globalization encourages the free flow of money from one capital market to another, enhanced overseas outsourcing activities and the transfer of technical and professional skills will simultaneously continue to pose threats to resolving local problems (with different cultural, financial, and tax systems). Accounting firms in the US, EU, and Australia are outsourcing services to India and China for the purpose of cost minimization, which will create a shift in employment within the accounting industry in the West.

Third, increased regulation, and the associated disclosure rules, will have the greatest impact on the profession for years to come. For example, increased regulation is imminent because of massive tax avoidance, transfer pricing, and money laundering as exposed via the panama papers (see Guardian series). Many professional (tax) accountants will be affected by intergovernmental tax action to limit base erosion and profit shifting.

The regulatory concern for different social and environmental issues, along with the associated measurement and reporting complexities of these issues, has allowed accounting professionals to open their minds to the possibility that accounting has the capacity to change. The important implication is that all professional accountants will be expected to look beyond the numbers, which will, in turn, enhance collaborations among members of multiple professions, including accountants, doctors, lawyers, environmental scientist, sociologists, and so on [3].

2. Implications for Teaching

Professional accountants will need the skills to provide more all-inclusive corporate reporting, which tells less about the numbers and more about the narrative of the organization.

Unfortunately, at the moment, few universities have developed curriculums for accounting students in line with their future needs. Universities will need to develop or incorporate new units,

such as cloud computing, big data, digital technology, integrated reporting, carbon emission accounting, and so on for accounting students. Professional accounting organizations should consult with universities to collate experts/lecturers in the new areas and run new courses. At the same time, universities should either invest in existing faculty members for training and learning or recruit experts to coordinate and lecture new units.

3. Skills required of accountants in the future

Computers are rapidly changing the nature of modern business operations and thus, the work of accountants and auditors. There are accounting software packages, which integrate accounting systems and processes, and make it possible for electronic records and messages to replace certain documents such as purchase orders, invoices, bills of lading and checks. Most companies largely rely on IT in achieving their operating, compliance and financial reporting objectives.

The American Institute of Certified Public Accountants (AICPA) has reported that there is the need for computer and information technology concepts to be part of the knowledge, skills and ability of professional accountants. It stresses the need for professional accountants to be able to apply productivity improvement software, such as spreadsheets and accounting-specific software, and be able to interpret, integrate and implement information technology.

Today's accountants are evolving into providers of information on finance, technology and strategy. Changing business practices and an array of emerging technologies have transformed their role. However, with change comes challenge. To adapt to their changing role, accountants must acquire skills that will enable them to deliver the new services that businesses need. The Hong Kong Institute of Certified Public Accountants identified these skills presented in figure 2.

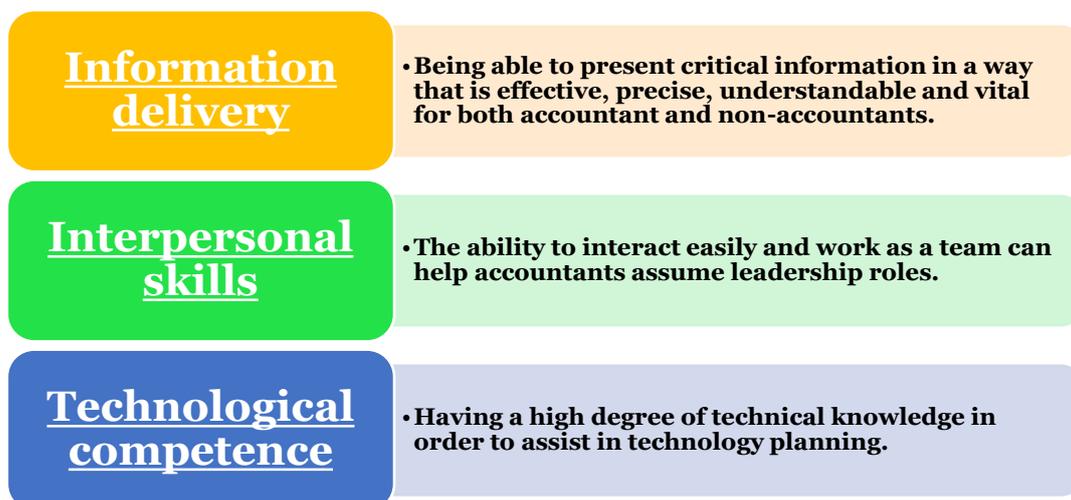


Figure 2. Accounting skills

In considering the changing nature of modern business relationships and balance of power; current market demands on business performance reporting; and focus of the world on achieving world financial stability, Graham Ward, the then president of the IFAC identified three main areas that professional accountants need to focus on in order to remain relevant to the global economy at large. Accounting is intimately tied to the development and maintenance of sound financial infrastructures and trustworthy, sustainable institutions. Professional accountants need to focus on:

- Public interest - making sure that public interest is in front of every activity.

- Ethics - emphasizing the importance of ethics and promoting it throughout the whole reporting chain.
- Thinking globally - supporting not only organizational performance but also in terms of global standards that promote transparent and useful information for decision-making.

The use of IT in supporting businesses is widespread and becoming more so. It is becoming increasingly difficult to meet expectations of users of financial and business performance information without the use of IT. These challenges call for the special accountant that is called the “hybrid accountant” (an accountant who blends IT competencies and mainstream accounting capabilities). There are five main skills that professional accountants need to possess in order to function effectively in the modern world presented in figure 3.

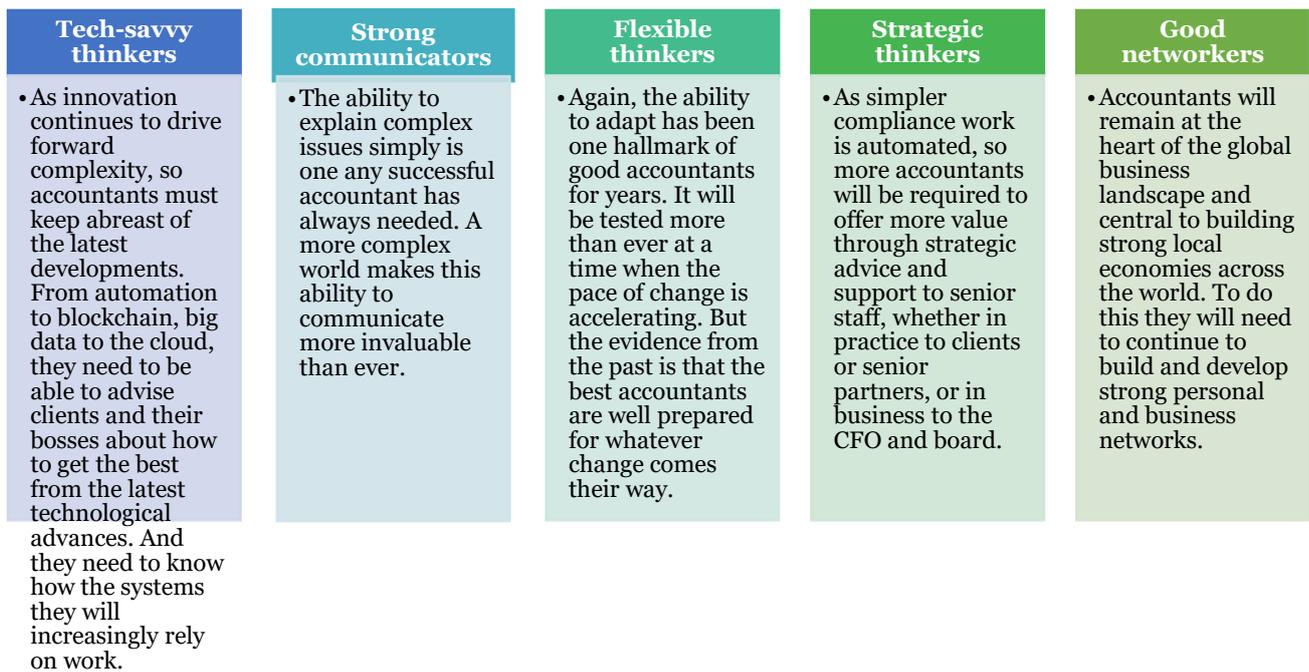


Figure 3. Future skills for professional accountants.

Accountancy is a profession with no age limit and opportunities exist for anyone who has the desire, passion and attitude to develop him/herself. E-learning can take place anywhere. There exist powerful, inexpensive and relatively user-friendly software that aid learning. In order to develop a lifetime career in accountancy, one would need to develop skills, knowledge and abilities in basic computing, technology and the functioning of networks, usage of well-known accounting software, teaching and mentoring, speaking and communications and project management. By developing oneself with the acquisition of these skills and knowledge highlighted above as the foundation, one’s dream career in accountancy will be achievable.

4. Career opportunities

The existence of modern technological products such as electronic data interchanges and the internet, signal the end of the traditional audit. Current issues that auditors need to consider in planning their audit include E-commerce, the internet, electronic data interchange (EDI), image processing, communication technology, outsourcing and paperless auditing. With real-time accounting and EDI becoming prevalent, many stakeholders are calling for continuous audits- a methodology that enables independent auditors to provide written assurance on a subject matter using a series of auditors’ reports issued simultaneously with, or a short period of time, after the occurrence of events underlying the subject matter. However, continuous auditing becomes

possible only by using Computer-Assisted Audit Tools (CAATs). Where information exists only in electronic form, software could be used to determine the integrity and authenticity of transactions as well as the effectiveness of controls.

This year saw the biggest industry shakeup in the form of GDPR, which modernized the practices of handling client data in our digital age, but there are still changes on the horizon. 2019 marks the beginning of Making Tax Digital', the government's initiative to streamline the tax return process for businesses. With this is expected to follow a greater degree of automation – spreadsheets could be redundant, VAT returns will be digitized and all administration will instead need to be processed through HMRC's bespoke, cloud-based software.

Looking further into the future, research has been made into the evolving sophistication of artificial intelligence, with some sources suggesting that a number of jobs could become obsolete at the hands of robots. Machine Learning, automation and chat bots will eventually replace the roles of humans in some industries, according to some.[4]

Soon, the Extensible Business Reporting Language (XBRL) will become the lingua franca for all business reporting, from issuing financial statement to uploading financial information on the web. XBRL will enhance communications between an entity on one hand, and stakeholders such as creditors, debtors and regulatory agencies on the other hand by reporting and translating the most relevant information needed. The XBRL will expand professional opportunities for accountants and finance executives, while adding more value to financial information to all users. It will enhance the credibility of financial reporting and auditing across all sectors of the economy– public and private, for profit and not-for-profit, listed and unlisted. XBRL has already been introduced in the United States, United Kingdom, Australia, China, Germany, Denmark, Japan, Korea and the list keeps expanding; soon it will be worldwide.

5. Conclusion

Accenture research shows that mastery of finance and performance management capabilities is a critical lever in helping drive value in organizations. Project accounting and business analysis applications are particularly helpful, allowing accountants to monitor resources and returns for specific projects, or for operations company-wide. Armed with these business insights, accountants can offer managers and owners guidance on improving productivity and maximizing profitability, as well as on specific business decisions. Accountants are now present at all levels, from executive management to frontline operations facilitating better and faster decision-making.

It is worth mentioning that most of today's financial assets float on the Web and are held virtually: Automated Teller Machines (ATMs) can be accessed and stocks bought and sold on the Web. The internet, which acts as an updated check system or a more efficient, cheaper and more secure means of moving financial information has facilitated money laundering, undertaken mainly by drug dealers, terrorist and other criminal organizations - cyber laundering. Forensic accountants all over the world who have long been involved in the fight against such global crimes are needed more than ever today especially in the wake of the WorldCom and Enron bankruptcies. However, this new economy still faces the threats of the old economy: theft, fraud, corruption in the form of money laundering, white-collar crimes among others.

The role of the accountant is about giving business owners the peace of mind that they are not making a horrible mistake somewhere and ending up with an unexpectedly large tax bill, fines, or even a prison sentence. Having an outside third party (human) perspective on how the books are

being run is such a valuable asset that we can't imagine that need will ever go away, no matter how automated things become.[5]

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