

THE IMPACT OF COVID-19 ON ACCOUNTING PROFESSION

IMPACTUL COVID-19 ASUPRA PROFESIEI CONTABILE

Lica ERHAN, ORCID ID: 0000-0001-5204-6367

lica.erhan@ase.md

Melisa CASAPU

casapu2002@gmail.com

Gabriela RÎȘCHITOR

rischitorgabriela@gmail.com

Academy of Economic Studies of Moldova, Republic of Moldova

Abstract. *This paper aims at presenting the challenges, and trends faced by the accounting profession under the impact of Covid-19. The accounting profession has always assisted to support and shape private and public businesses. However, the fast speed at which the outbreak of the Covid-19 crisis has broad changes in the use of digital technology in businesses, post great challenges to the accountants and their firms. To overcome the risk and challenges, accountants must add value by embracing digital technology to meet the current and future challenges.*

Keywords: *accounting profession, Covid-19 pandemic, challenges*

JEL: M41, Q56, O33

Introduction

Nowadays, the professional accounting department offers a wide variety of services, both to legal companies and people in accounting and finance. This can cover bookkeeping, financial statement compilation, tax services, payroll services, support services for labour and insurance, planning and reporting, and consulting services. Therefore, it is noticeable that an accountant's work is no longer confined to accounting – just reporting [1]. Taking that into account, the importance of the business of accounting is unquestionably significant. That is to say, both enterprises and people and the state and its economy have visible relevance in the accounting profession. Many macro and microeconomic factors affect the accounting profession. However, there are issues as to how the accounting profession may be affected when the State is faced with rare catastrophic conditions that are disrupting its daily routine, and demand quick action, adaptation, and duty, in several other ways, emergency change for accountants. One of those rare occurrences in human history, confirmed by the World Health Organization is the Covid-19, a global pandemic that has led a large proportion of the world's countries to take both urgent measures [2]. The risks posed by the pandemic of coronavirus do not end. Countries have prohibited millions of people from traveling, and quarantine measures have been introduced. Companies struggle with lost profits and broken supply chains. Furthermore, the global supply chain instability triggered by plant shutdowns has illustrated many organizations' vulnerabilities. The disease has also contributed to tremendous unrest in the world's commodity and financial markets. Finally, there are also signs that the epidemic has infected the global economy significantly [3].

Therefore, this paper aims to determine the effect of Covid-19 on the accounting profession. It will discuss the challenges and potential solutions to overcome the obstacles. In other words, it will help accounting professionals who are facing challenges surviving in the new-created environment.

Challenges facing the accounting profession

Actually, the profession as a whole faced a range of challenges and had to face them while combatting added pressure because the pandemic struck at the busiest time of the year for accountants. That is to say, the challenges confronted by accounts impacted by Covid-19 are the following:

Time-Constrained Decision Making. During this pandemic, accounting professionals are facing problems regarding information collection. They are information about non-financial and immaterial goodwill properties and challenges in cash flow, collateral losses, and divulgations associated with the imposition of continuity and the related information [4]. As the decision-making has become too frequent during this period, accountants are making decisions without proper consideration of the risk and ethical issues. As they are also not taking proper training sessions, capacity, as well as the capability of decision-making, is also not increasing.

Working Remotely. Since Covid-19 restrictions required people to stay at home, many people started working remotely to have a crash course in the technological solutions of their businesses. Many accountants formerly relied on technology helpers, supervisors, or IT experts. Remote work led everybody to use the other remote access, workflow, and data exchange tools.

In addition, the Covid-19 pandemics led to a new work age, influencing many organizations to adapt rapidly to a remote work environment depending on the cloud, Zoom, and other technology [1]. Young accountants, as well as elders, had to learn how to use technologies, online platforms, and other applications in an extremely short time, in order to be able to work from their homes. For several months, accounting practitioners worldwide welcomed the modern concept of "workplace" in the enormous home experiment.

The new Covid-19 extended its technological horizons to people of all ages. Following the Covid-19 epidemic, the obstacles and labour market competitiveness increased, and for accounting graduates finding a job became more challenging, since companies and employers are looking for individuals with the essential soft skills, including communication and thought abilities [5]. Furthermore, remote work during this pandemic made tracking the work progress of the staff challenging. This poses some ethical challenges too. Like whether employees are actually working or they are just increasing their working hours for a billable amount.

Reduction of Employee Number. Employee layoff is another challenge for the accounting profession. As many organizations are facing an economic downturn, they are forced to lay off some of their employees. Deciding how to determine who will be with them and who will not be with them is a challenge. The fewer resource may lead to complete but inefficient work.

Increase in Fraud. As most of the work of the accounting profession has gone online, many cybersecurity-related frauds are arising nowadays. Like identity theft, hacking in the corporate level network, and mass data theft.

However, those challenges can be overcome and turned into an opportunity for modernizing and developing the accounting profession from a technological point of view. Organizations need to cultivate collective strength in order to weather these unprecedented challenges and emerge stronger and forged ahead even in that crisis.

One way of managing the risk of Covid-19 is to protect cash [6]. Cash preservation is critical to enable accountants to survive in their profession. The main priority of the accountant is to minimize spending's, freeze headcount, hold off capital expenditure, and secure credit if it is needed.

Furthermore, operating in an environment where things are changing rapidly because of the pandemic Covid-19. That is why accountants should embrace finance to serve as a partner to the accounting firm. Accountants are expected to refocus the firm strategy to suit the current reality.

When the strategy is immediately changed, accountants should make sure they channel and spend money on the things that will support their service delivery and top-line growth.

Finally, remote work can be cost-effective and good for organizations' productivity [6]. Accountants in a post-crisis world should consider embracing the new technology in their practices. That will cut back staff travels on nonessentials and work remotely or at home for some time and hence, controlling costs during the recovery period.

Trends in accounting profession impacted by Covid-19

The Covid-19 had brought, besides many changes, many new trends, that have just improved the way the accounting works and it made just stronger and diversified. Even we have heard about the Fourth Industrial Revolution from 2016 in the work of the founder and executive chair of the World Economic Forum Klaus Schwab, we can surely affirm that the pandemic just emphasized more this phase and it truly changed the way the people and digital world have interfered until now. In a 2016 article, Schwab wrote, "like the revolutions that preceded it, the Fourth Industrial Revolution has the potential to raise global income levels and improve the quality of life for populations around the world. In the future, technological innovation will also lead to a supply-side miracle, with long-term gains in efficiency and productivity. Transportation and communication costs will drop, logistics and global supply chains will become more effective, and the cost of trade will diminish, all of which will open new markets and drive economic growth [7]." All the changes that Schwab has written about have become the reality when the companies have met many problems because of the crisis. The crisis always comes with some innovations for the world, as it makes them to think in a new way, a more creative one in order to survive.

Here will be represented the main trends that have changed the way accounting worked, and in this way, a new era in the accounting has come:

Increased adoption of technology. The most famous trend, which appeared even before the pandemic was the increase in digitalization, but namely, the Covid-19 has pushed the development dramatically. Many aspects of accounting work, which have evolved from handling financial documents to analysing data, have been digitized, making them accessible online and from any location. Accountants will continue to assist customers in the future, whether they work from home or in the office, in achieving a sustainable and cost-effective balance.

Automated Accounting Processes. More accounting processes are being automated, which is a major industry trend. Automation reduces confusion and errors, which is why businesses are more likely to invest in automated systems. Because the process is heavily reliant on computers, businesses are vulnerable to fraud. As a result, there is a greater need for internal auditors to check for data errors. As a result, there is no need for in-house professional accountants to be concerned about being replaced by machines. According to an ACCA study, more than half of C-level accounting executives anticipate the development of automated accounting systems. It will have the greatest impact in the near future across many industries, letting accountants use data and optimize performance for both the best accounting software for small businesses and large industries. Accounting automation also aims to help businesses make data-driven decisions faster than ever before [8].

Outsourcing Accounting Functions. Accounting functions are now being outsourced by businesses, and the benefits are various. Outsourcing allows businesses to focus more on their scarce funds, resulting in increased profitability. It also saves them money on employment costs such as payroll, taxes, salaries, benefits, and training. As a result, many businesses are turning to outsource accounting functions [8]. This trend has brought some other advantages like financial efficiency, agility, scalability, adaptive communication, and the last but not the least technical expertise [9].

Cloud-Based Accounting. Cloud technology is gaining popularity in the accounting industry because it facilitates remote work. Accounting systems that are cloud-based enable companies to access the information from any location and at any time. They can design workflows, manage projects, and communicate with clients from anywhere. Accounting firms that have already adopted cloud-based services are growing at a rate of about 15% year on year. This contrasts with the 4% year-over-year growth of firms that have not yet fully embraced cloud technology [8].

Artificial Intelligence. Even though Artificial Intelligence is not something new in the world of accounting, its adoption was greatly increased during 2020 when the pandemic appeared. Artificial intelligence systems have the potential to be extremely powerful and are rapidly improving. They can produce extremely accurate results, replacing and, in some cases, far outperforming human efforts. They do not, however, replicate human intelligence. As governments and authorities around the world encourage the use of digital payments in response to the pandemic, the demand for AI-based accounting software has increased. As with AI's ability to analyse large amounts of data, detect anomalies in the system, and optimize workflows while ensuring speed and flexibility, financial professionals are adopting AI to assist with business decision making based on insights generated by accounting data such as transactional data and customer demographics in real-time. By incorporating AI, businesses can perform cash flow forecasting, predict bankruptcy, and detect frauds, allowing accountants to assist clients in responding to financial challenges before they become acute and adjusting expenditure accordingly. It also allows accountants to broaden their predictive consultancy beyond classical financial planning.

Conclusions

To sum up, Covid-19 has served as a trigger for all companies that were reluctant toward digitalization. The crisis made all the companies to start to think out of the box and transform the challenges they met during that difficult time into opportunities for them to develop themselves. It has emphasized the importance of developing short-term answers to problems while planning long-term sustainability and growth. Therefore, in order to pass the crisis with the minimum consequences for the business, they have come up with many new trends that will help them to be as efficient as they were until the crisis. The switch to digitalization was a big change for all the companies, as it has brought many opportunities and it made the life of accountants easier, as many operations were made automated. Here we can emphasize the role of Artificial Intelligence and its impact on the work of the accountant profession. The appearance of Covid-19 represented the start of the new digital era for all the companies.

Bibliographical references:

1. KRISTEN KEATS and TWYLA VERHELST, the Article "COVID-19 is driving a borderless accounting profession", 2020, Available online: <https://www.accountingtoday.com/opinion/covid-19-is-driving-a-borderless-accounting-profession>
2. HERTATI LESI, the Article "The Influence of Information Technology Covid-19 Plague Against Financial Statements and Business Practices", 3 July 2020, Ilomata International Journal of Tax and Accounting, Available online: <https://www.ilomata.org/index.php/ijtc/article/download/117/61/>
3. ALAN SANGSTER, GREG STONER and BARBARA FLOOD, the Article "Insights into accounting education in a COVID-19 world", 24 August 2020, Available online: <https://www.tandfonline.com/doi/full/10.1080/09639284.2020.1808487>

4. TAHA A. H. ARDINY, the Article "The Challenges Facing the Accounting Profession under the Coronavirus Pandemic (COVID19)", 2020, Available online: https://tanmiyat.mosuljournals.com/article_167375.html
5. ALHAWSAWI M., the Report "Soft Accounting Skills between Employers' Expectations and Students' Reality after COVID19 Pandemic", 2020, Australian Academy of Accounting and Finance
6. ANDREW HARDING and VICKY LI, the Article "5 ways to navigate the COVID-19 crisis", 21 April 2020, Available online: <https://www.fm-magazine.com/news/2020/apr/navigating-coronavirus-crisis-from-chinese-finance-leaders.html>
7. SCHWAB KLAUS, the Article "The Fourth Industrial Revolution: what it means, how to respond", 14 Jan 2016, Available online: [https://www.weforum.org/agenda/2016/01/the-fourth-industrial-revolution-what-it-means-and-how-to-respond//](https://www.weforum.org/agenda/2016/01/the-fourth-industrial-revolution-what-it-means-and-how-to-respond/)
8. ASTRID EIRA, the Article "11 Best Accounting Software for Small Business for 2022 – Trends, New Forecasts & What Lies Beyond?", 2021, Available online: [https://financesonline.com/accounting-trends//](https://financesonline.com/accounting-trends/)
9. JIM ASHLEY and DAVY PARSONS, the Article "Five Benefits of Outsourcing Accounting Functions During a Pandemic", 05 May 2020, Available online: <https://www.bkd.com/article/2020/05/five-benefits-outsourcing-accounting-functions-during-pandemic>