

THREATS AND OPPORTUNITIES IN DIGITALIZING ACCOUNTING SYSTEMS

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Abstract

The challenges and opportunities presented by digital transformation in accounting were the primary focus of this research. The implementation of digital technology into the accounting process ought to result in accurate financial accounts. Before it can generate compliant financial reports, the system needs to be able to satisfy certain criteria. Information of a superior caliber might be obtained from external sources. Research data may be obtained from a variety of sources. The following are examples of secondary sources: books, journals, the Internet, newspapers, and reports. According to this research, digitization has altered the way accountants think and carry out their work. The majority of accountants are familiar with both the benefits and drawbacks of digitalization. Usability, accessibility, and cost-effectiveness are at the forefront of developers' minds while creating software for digital accounting. Certain research has suggested that a comparison of digital and manual accounting systems has been suggested as a possible solution. The effectiveness of accounting software and its widespread use are both contingent on the user's level of expertise. The collection of one-of-a-kind data is not only pricey but also time-consuming and requires a COVID-19. Understanding and utilization of accounting software were both improved as a result of the study. This study takes the viewpoint of accountants to investigate the positives and negatives associated with the use of digital technology in accounting. It demonstrates the limitations and viewpoints of accountants. The findings of this study suggest that accountants who make use of digital accounting software may have a better understanding of both theory and practice. More topics are required for more advanced study. The processes of accounting in the information age are identified in this paper.

Keywords: Digital Transformation, Accountant, Manual Accounting, Book-keeping, Digitalization of Accounting.

Introduction

The transition to digital accounting involves the creation of data, as well as its presentation and transfer. In spite of widespread opinion, it is not a substitute for accountants or for practice. It is beneficial to accountants' overall productivity. The technology used in finance has progressed. It is possible that software that simplifies data collecting and processing will one day take the position of accountants. This has made it easier for proprietors of businesses and accountants to review the data and report on it. Businesses are better able to concentrate on important tasks and issues, like managing their finances, when there are fewer things to distract them. Journals, ledgers, and sometimes even additional records are not always necessary in contemporary accounting. An innovation in accounting methodology that bridges the gap between conventional and modern practices. The modern method of accounting is trustworthy. In recent years, digitization and upgrades have been major drivers of growth in the accounting software market. Change is inevitable in business, just as it is in life. A wide range of sectors are being disrupted by technology. For businesses that are looking to the future, consistent accounting involves more than just bookkeeping and payroll. Accountants now have more authority thanks to digitalization, automation, and analytics. Accountants have the ability to expose unethical business practices, poor audits, inappropriate use of public money, and questionable actions conducted by both businesses and governments. They have a responsibility to protect the health and safety of everyone involved, including the general public, clients, businesses, and the government. It gives an honest and unbiased picture of how a firm is doing financially.

Background of the Research

Before the widespread use of computers, the majority of businesses kept their books manually. Every banking transaction is required to be entered by hand into columnar sheets. There were several instances of manual computation. The practice of accounting has evolved in response to developments in technology and digitalization. Accounting used to be done manually, but now it's all done automatically thanks to software. The ability to focus on growing their businesses is facilitated by automation for business owners and accountants. In 2010, numerous top executives at major corporations said that accountants were obsolete. They are concerned that advances in technology, particularly digitization, may

eventually render the practice of accounting obsolete. Instead of trying to eliminate the COVID-19 outbreak, accountants and other professionals will need to find ways to adapt to it. The advent of digital technology has completely altered the playing fields. In order for businesses to remain competitive, they need to make use of the huge volumes of data at their disposal. The move into digital accounting will be seen as an opportunity by businesses that are prepared to implement the change. Because of COVID-19, millions of us have been forced to conduct our daily lives online, including participating in virtual meetings and maintaining online relationships with family and friends. In order to promote concord and reduce feelings of insecurity, local peace-builders make use of social media, statistics, and other technology. The majority of companies are transitioning to digital bookkeeping. Business and Peace is an example of a worldwide conversation that has been going on for a long time and a policy that addresses the digitalization of accounting because it gives timely financial reporting to stakeholders.

Literature Review

Literature Reviews illustrate what's been done and what needs to be done. Digitalization in accounting risks and opportunities were examined in order to prove this. The following are some notable studies:

According to the findings of Saed's (2020) investigation, the topic comprises two important facets: accounting maturity and digital transformation preparation. This will become possible as a result of the elimination of accounting work and errors. According to the findings of Parlak (2020), the accounting profession and its procedures have been impacted by digital technology. Because of this, memorization, classification, summarization, analysis, and interpretation of financial statements, as well as the design and maintenance of systems, are all impacted. In order to adjust to the change, experts in accounting need to employ the systems that are already incorporated into their software. Demiroz and Heupel (2017) discovered that organizations do not have adequate awareness of the benefits of digital transformation. Several of these institutions are still in the first phases of digitalization since they must first overcome internal obstacles. According to Thipwiwatpotjana (2021), the success of digital transformation is dependent on senior executives, a company plan, an organization culture, access to alternative resources, and assistance. Additionally, the success of digital transformation is dependent on senior executives. According to Nguyen

et al. (2021), the implementation of digitalization methods will make it possible for managers to find new consumers, increase product quality, and strengthen the organization's ability to compete. According to the findings of Phornlaphatrachakorn and NaKalasindhu (2021), digitalizing accounting has the potential to enhance accounting information and financial reporting, which ultimately boosts the effectiveness of strategic choices. His research, which will be published in 2020, will focus on the performance of accounting organizations and their digital transformation. This review will focus on both strategic and operational aspects.

Objectives of the Study

1. To understand and appreciate the significance of the concept of digitalizing accounting..
2. To investigate potential risks associated with the digitization of accounting.
3. In order to ascertain whether or if there is potential for the digitalization of accounting.
4. To provide insightful recommendations for next research endeavours

Research Methodology

The pros and cons of switching to digital accounting systems are outlined with the use of secondary data. For the purpose of this study, a variety of secondary sources, including but not limited to books and magazines, the internet, and newspapers such as periodicals and government publications were studied.

Concept of Digitalization of Accounting System

The digital transmission of financial data is made possible by the digitalization of accounting. Tax cuts were the desired end result. Integration of systems, reporting in real time, and digitization of records all work together to make data accessible. Accounting "information on demand" is provided through the use of mobile devices, applications, and social media. New breakthroughs in technology make it possible for financial experts to spend so much time providing advice and formulating strategies. Bookkeeping, productivity, and the accuracy of data are all improved as a result. The availability of data in a timely manner

appeals to customers, workers, and other stakeholders. According to the Enterprise Research Centre, the use of digital accounting software led to an 11.8 percent increase in employee sales over a period of three years (ERC). *“During COVID-19, seventy percent of small and medium-sized enterprises digitised their accounting”* according to information provided by the ERC. The time spent entering data is reduced when accounting is digitalized. When the system syncs, accounting software sorts transactions into categories and creates accounts for them. Digitalization of accounting facilitates data retrieval. The use of accounting software is not a substitute for the need for business owners to hire an accountant. Technology has brought about shifts in accounting practices. The functionality is improved with each new expansion. The practice of accounting has been completely transformed by technology. Accounting software that is converted to digital format protects financial data.

Threats for Digitalization of Accounting System

Rather than relying solely on the most up-to-date software, hardware, and organisational structures, businesses could consider digitalizing their accounting processes for a novel and original approach to completing an essential business activity. Before implementing digital accounting, businesses need to consider the reactions of their staff members as well as how the change would impact their costs, goals, and security.

1. It will be expensive to make the transition to digital accounting. An upgrade is necessary for every new version of the application.
2. Concerns are growing that the rise of computer technology will result in an increase in the rate of unemployment.
3. The advent of digital accounting needs new employees to go through training whenever the software is updated, which adds to the overall expenditures.
4. According to research conducted by SonicWall, the number of global ransomware attacks increased by 62 percent between 2019 and 2020. During the height of the outbreak, cybercriminals took advantage of the recent transition to digital working conditions, which had not been prepared.

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5. A lack of competence is a roadblock for the digital transformation activities of organisations. According to a survey conducted by CaseWare in 2020 among professionals working in finance and accounting, 62 percent of respondents stated that their industry was facing a significant skills gap, which is an increase from the 51 percent who said the same thing in 2016.
 6. There is a possibility that an error in the system will result in the completion of the task taking longer than expected.
 7. Digitalization of accounting delivers precise data, but it can't identify mistakes or fraud as it lacks judgement.
 8. It is possible for viruses and unauthorised users to access the application, which might result in the original documents being changed.
 9. Everyone who has a stake in the outcome of the digital transformation needs to get behind it for it to be successful. Therefore, leadership needs to come up with a strategy to circumvent resistance from employees.

Opportunities in Digitalization of Accounting System

There may be a reduced requirement for manual operations as a result of the digitization of accounting, which may assist speed up processes and produce financial status of your firm. It is possible that this may result in various chances for the efficient running of a firm:

1. The future of accountants is brighter if they keep up with the times. The accounting profession is undergoing a cultural transition, as evidenced by a skills gap between what accountants perform and what educational institutions teach. Non-automatable abilities are required for accountants to compete (and fend off the robots).
2. It helps to verify the financial health of a business at any time and from any location. Accessing information no longer necessitates being in the workplace or having a laptop on hand for professionals. It is possible for you and your staff to access cloud-based accounting software from anywhere.

3. Conventional accounting techniques are less prone to errors than computerised accounting. Your company's finances are better understood and tax returns are completed more accurately thanks to this software. Compared to the old-fashioned methods of accounting, it is more accurate and error-free.
4. Machines are far superior to humans in many areas, and even the best humans can't compete. Computers are better at recognising, recording, categorising, and summarising information, according to Richardson. When it comes to analysing and reporting on data, accountants are the best in the business. When accountants combine their traditional skills with cutting-edge technology, they are at their most powerful.
5. Additionally, it may help streamline business processes and meet tax and reporting needs. This, together with improved decision-making, helps to increase productivity and efficiency. Using a digital accounting system, many accounting tasks may be automated.
6. Tracking fraudulent company activities and transactions has become much simpler because of the widespread adoption of digital accounting systems. Changing from paper to electronic record keeping might result in time and money savings for accounting companies.
7. A person who specialises in finance may look at real-time data and make suggestions on how to make it better. It keeps info updated. It automates actions that are time-consuming yet vital while providing you with comprehensive access to the company's data.
8. The most effective strategy is to digitalize accounting processes since this facilitates the automation of payment requests and invoices.
9. Today's profession differs from the 1800s, and more changes are ahead. If accountants and universities can't keep up with change, the profession's future is at risk. Richardson says accounting educators control the profession's destiny. "Accountants must revamp the curriculum to produce analytics-minded graduates."

By teaching accounting students data analytics, they'll be able to help managers and stakeholders make informed decisions.

10. Because of this, companies have more time on their hands, which enables them to seek out new clients and ultimately increase their turnover.
11. It is possible to readily restore the data in the event that it is lost due to whatever occurrence since the data is saved in soft copies. This makes it feasible for the data to be easily recovered.
12. In the end, it will be a rewarding and exciting job. Improving your computer abilities is a piece of cake. It's just as crucial to learn digital skills while working as it is to learn them on the job. Digital skills courses and training are available at many colleges, and there are also free online courses on accounting, such as cloud computing, that are available.

Findings

The following is a rundown of the most significant findings from the study:

1. Within the years, the field of accounting will experience significant development. The maintenance of white water demands the flexibility of the business.
2. As a result of the digital revolution of accounting, it will become increasingly common for businesses to relocate their operations to countries with lower overall labour costs.
3. The rise of digital technology is expected to bring about significant shifts in accounting and auditing practices in the not-too-distant future. When machines take over labor-intensive activities, experts may shift their attention to providing customers with more value while simultaneously cutting both the time and money spent on their services.
4. It will be feasible to automate the processes involved in auditing, and improved technology that can detect risk and fraud will be readily available. In the not too distant future, auditors will be able to focus on output analysis rather than spending hours

obtaining data from financial accounts, which will allow them to save a significant amount of time.

5. In the not too distant future, auditors and accountants will be required to make use of cutting-edge analytics and automation technology in order to carry out analyses, produce reports, and offer the right outputs.
6. It's possible that accountants struggle with the volume of data. For accountants to make sound choices about a company's finances, they require access to relevant data. This work demands excellent communication skills, both vocal and written. Even though computers have taken over, information is still secured.
7. The automation of routine accounting operations enables accountants and auditors to concentrate on far more specialised tasks, which benefits both parties. Accounting tasks currently performed by humans, such as billing for in-house services and calculating travel expenditures, will someday be automated by computers.
8. A broad variety of financial data will be connected to one another through the use of advanced information systems in order to guarantee the confidentiality of the data.

Recommendation and Suggestions

This is done in order to assist accounting in attaining a higher level of accomplishment and company harmony than it does at the present time. The following are, in accordance with the findings of the study, the critical concepts for preserving business relevance:

1. Those who work in accounting need to familiarise themselves with the dizzying number of digital choices that customers have so that they may point them in the proper path and maintain their status as the industry's most trustworthy business consultants.
2. In order to properly carry out their responsibilities and conduct audits, accountants need to have a solid working understanding of contemporary accounting software, in addition to various accounting models and business models. It is imperative that auditors engage in ongoing training and strive for professional advancement in this field.

3. As the state of technology continues to advance, it is imperative that accountants acquire the skills necessary to make optimal use of digital accounting systems.
4. In order to advance, accounting firms need to evaluate each digital marketing strategy that they now provide to clients. This might be avoided by companies who are thoughtful and diligent.
5. It is important for businesses to keep up with the latest relevant technological advancements and to incorporate new technologies.
6. As their professions grow increasingly reliant on computers, they need to be more open-minded regarding emerging technology. In order to be a trusted business adviser, an accountant has to be able to communicate effectively with their customers and find ways to cut costs using technology.

Conclusion

The transfer of accounting data digitally increases financial reporting, as well as usability and the capacity to make strategic decisions. The quality of financial reporting has an impact on both the usefulness of accounting and strategic decision-making. Integrity of financial reporting and accessibility of financial reporting help in digitalizing accounting-strategic decision effectiveness linkages, which enhances workplace harmony. The advent of digitization presents accountants with opportunities rather than challenges. Bringing accounting into the digital age improves both its accuracy and its efficiency. Time is conserved thanks to the accountant. In addition to this, we place an emphasis on the training of accounting experts. Fear about digitization is widespread among accountants. The idea of digital accounting has to be developed. In next studies, the use of digital transformation as a neutral antecedent variable might potentially yield better levels of understanding. It may assist entrepreneurs manage resources and talents. For the sake of your company's expansion, make the switch from manual to digital accounting. The digital revolution in accounting encompasses more than just the automation of accounting jobs. The information obtained from accounting helps in making strategic decisions, improving performance, and reducing time-consuming operations. The advancement of technology has made this conceivable. The motto of the modern world is "change or perish," and if the accounting profession does not begin to accept change, it will cease to exist.

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