FCM Paper on

New Technologies, Digitalization and Accounting

The covid-19 pandemic reinforced the tendency to digitalize finance and accounting, that some call "the Fourth Industrial Revolution"[1].

Digitalization has helped both individuals and businesses tackle the unprecedented situation we live in. It has, for example, allowed e-commerce, that has significantly increased these past months, and permitted the use of multiple financial services remotely.

Accountants should really consider the technologies presented below to keep pace with the inevitable changes that are going to occur in all sectors (I).

Bearing in mind the context and this trend, the European Commission elaborated a Digital Finance Strategy that will certainly benefit to accountability (II).

I. Technologies to evaluate as an accountant

Five major technologies should be considered: Big Data (1), powerful data storage systems (2), Artificial Intelligence (3), Intelligence of Things (4) and Blockchain (5).

1. Big Data

In other words, large data sets of diverse nature that are processed at a high speed.

Collecting data may help improve internal operations and create new revenues.

2. Powerful data storage systems

Since everything leaves a digital footprint and collecting data may be useful, accountants need to work with clouds and software to store, organize and use the data effectively.

[1] https://www.forbes.com/sites/bernardmarr/2020/07/27/the-6-biggest-technology-trends-in-accounting-and-finance/?sh=304b9cd53c7e

Furthermore, these systems allow an access whenever and wherever it is needed.

3. Artificial Intelligence

The algorithms of Artificial Intelligence allow machines to do time-consuming and repetitive tasks, allowing the accountant to focus on strategy and advisory work.

Moreover, Artificial Intelligence can help reduce costs and errors, and therefore help accountants be more efficient.

4. Intelligence of Things

More and more devices and machines are now interconnected and equipped with Artificial Intelligence. This is called Intelligence of Things.

These items can communicate and operate without human intervention and offer many advantages for accountants, to track legers and other records for instance.

5. Blockchain

Blockchain is a way to store and transmit data safely. This database is shared by the users, without intermediaries, which allow the users to verify the security of the chain (traceability).

It enables the verification of people's identities, the safe transfer of assets and more.

Blockchain, even if famous, is still not widely adopted, which may change thanks to new regulations on digital finance.

II. The European Commission's Digital Finance Strategy

The 24 of September 2020, the European Commission published a communication to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on a Digital Finance Strategy for the European Union.

In this document, the Commission affirms that “the future of finance is digital” and that “digital technologies will be key for relaunching and modernising the European economy across sectors”[2].

Its aim is “to make the benefits of digital finance available to European consumers and businesses”, “ensuring safe and reliable [operations]”, “based on European values and a sound regulation of risks”.

The Commission set out four priorities to guide the European Union actions up to 2024:

- “tackle fragmentation in the Digital Single Market for financial services, thereby enabling European consumers to access cross-border services and help European financial firms’ scale up their digital operations”;
- “ensure that the EU regulatory framework facilitates digital innovation in the interest of consumers and market efficiency”;
- “create a European financial data space to promote data-driven innovation, building on the European data strategy, including enhanced access to data and data sharing within the financial sector”; and,
- “address new challenges and risks associated with the digital transformation”.

For more information, please consult:

https://www.forbes.com/sites/bernardmarr/2020/07/27/the-6-biggest-technology-trends-in-accounting-and-finance/?sh=304b9cd53c7e

https://ec.europa.eu/transparency/regdoc/rep/1/2020/EN/COM-2020-591-F1-EN-MAIN-PART-1.PDF

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[2] https://ec.europa.eu/transparency/regdoc/rep/1/2020/EN/COM-2020-591-F1-EN-MAIN-PART-1.PDF