The Accounting Profession in a Digitized World

ICAN Technology Conference

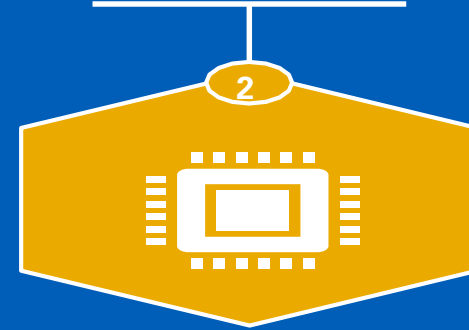**Lawrence Amadi**

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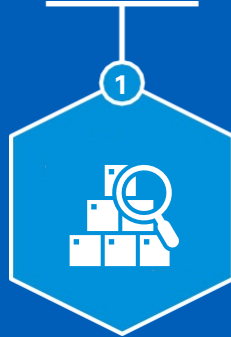
Recent Developments in the
Accounting & Finance Profession

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Key Takeaways

Introduction

The accounting profession is going through significant transformation due to the rise of digital technology.

Automation, AI, and Cloud computing are changing the way Accountants work, making processes more efficient and accurate.

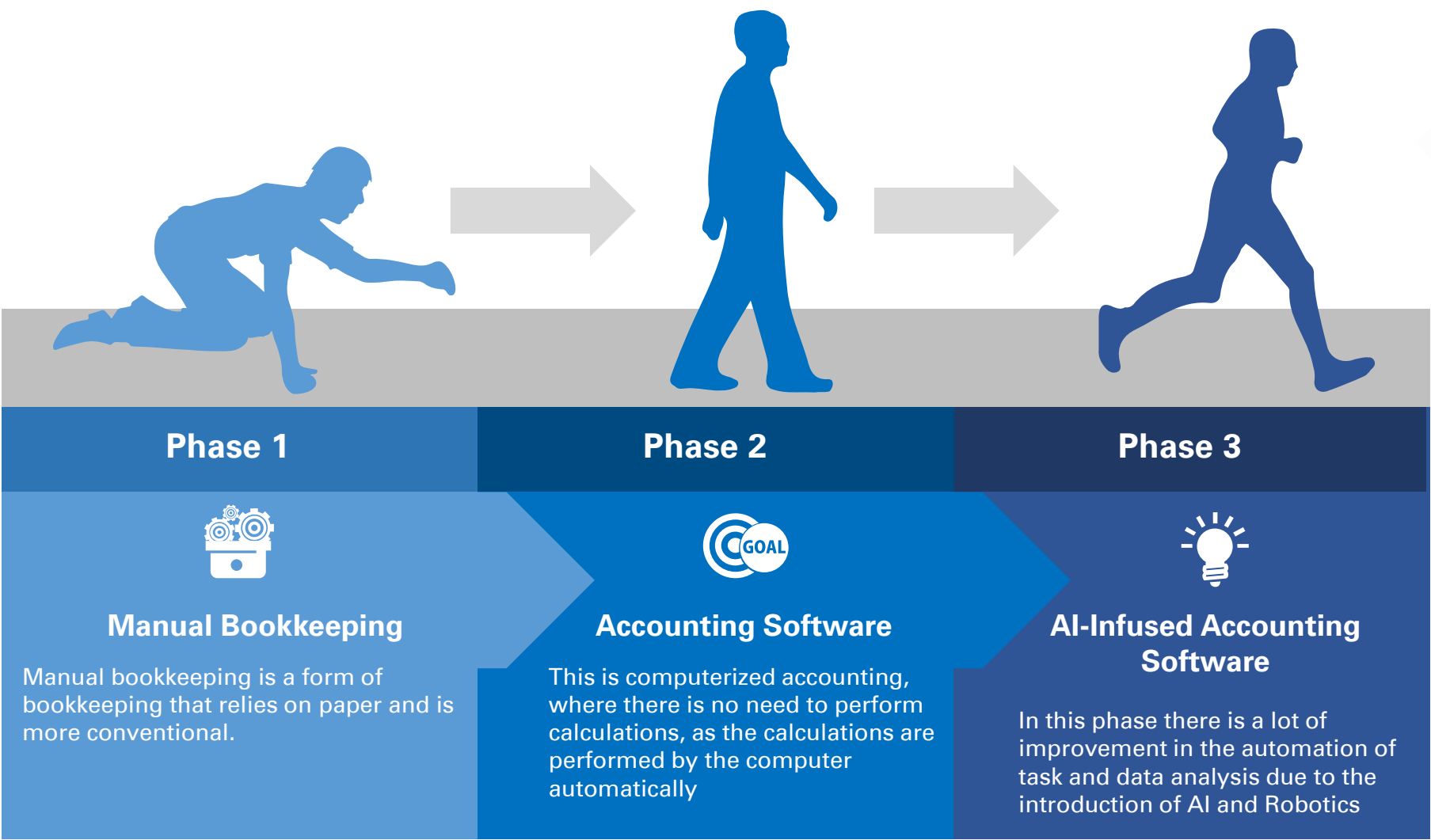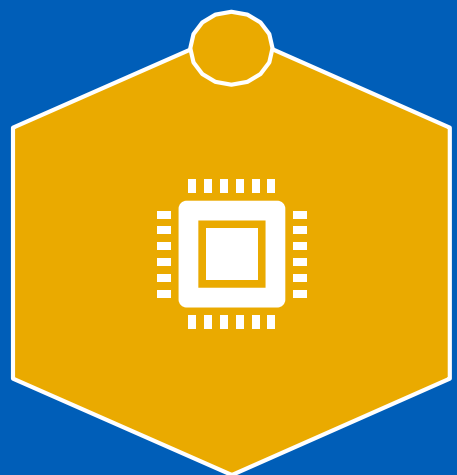The global accounting software market is growing rapidly, driven by the adoption of cloud technology and automation.

The global accounting software market was valued at $11.8 billion in 2020 and is projected to reach $19.6 billion by 2026, growing at a Compound Annual Growth Rate (CAGR) of 8.2% during the forecast period. The use of AI in accounting is expected to grow at a CAGR of 45.9% from 2021 to 2028.

- Mordor Intelligence

Evolution of Accounting

Phase 1

Manual Bookkeeping

Manual bookkeeping is a form of bookkeeping that relies on paper and is more conventional.

Phase 2

Accounting Software

This is computerized accounting, where there is no need to perform calculations, as the calculations are performed by the computer automatically

Phase 3

AI-Infused Accounting Software

In this phase there is a lot of improvement in the automation of task and data analysis due to the introduction of AI and Robotics
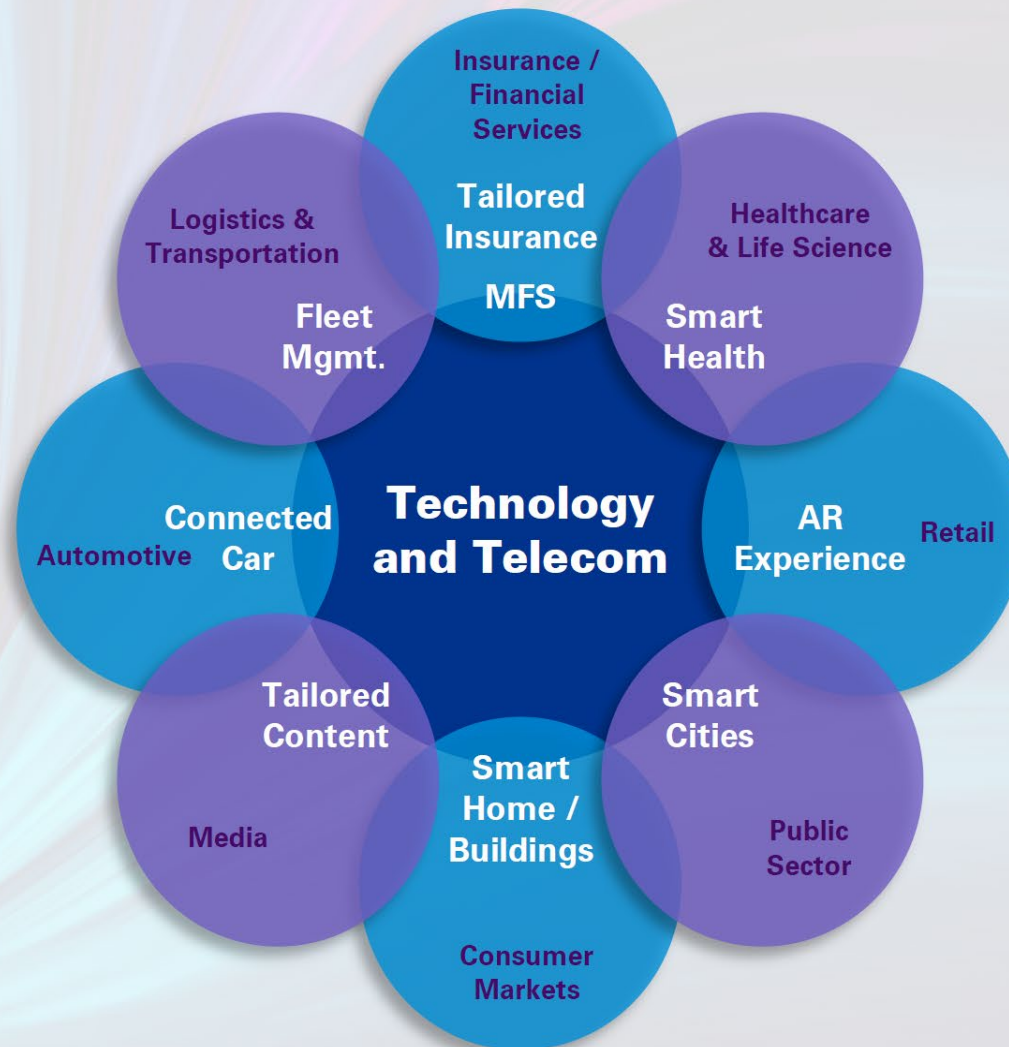
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Technology
Trends

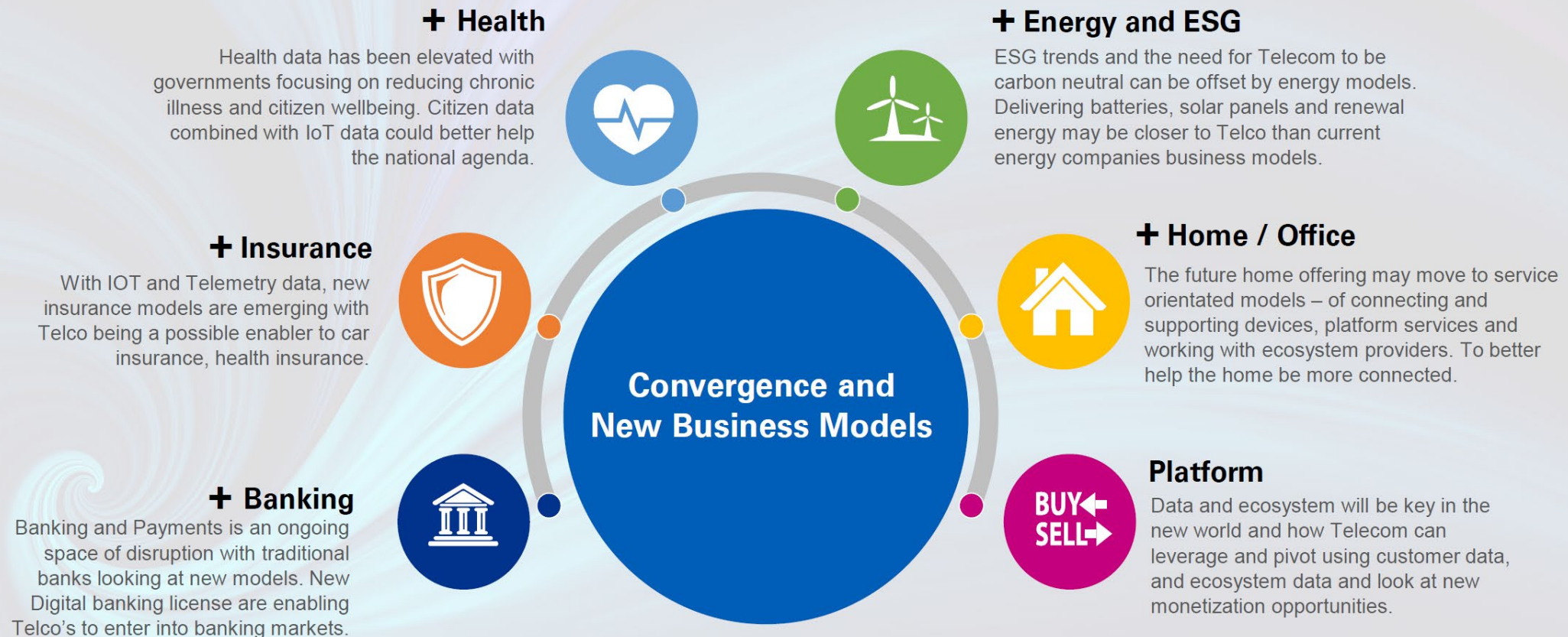# Telecom and Techonlogy is at the centre of disruption

Sector Adjacencies emerging around Technology. New technology and behaviours to drive new business models
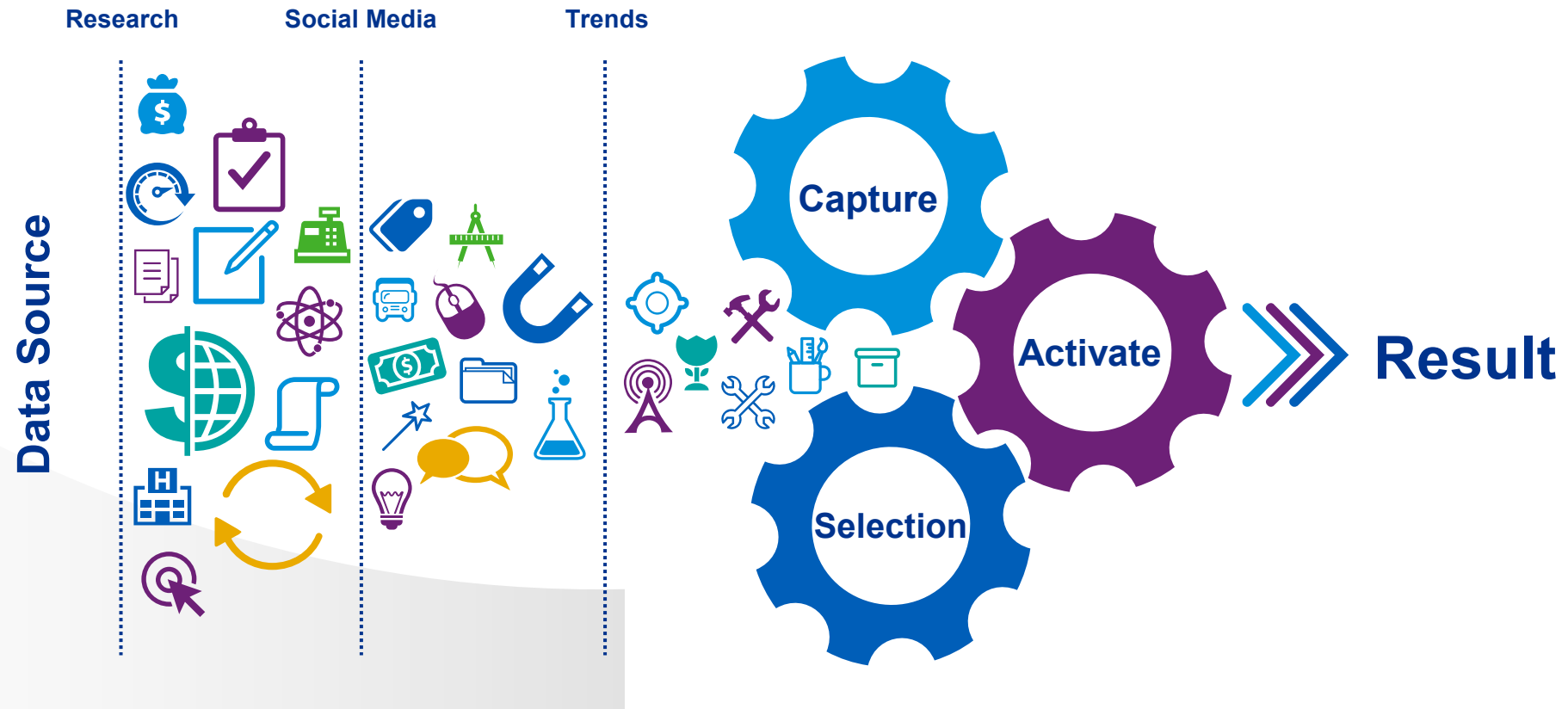

Data Democratization within companies and across companies in different sectors will enable more instances to monetize.

Telecom Companies are looking to new business models

As telecom companies look to move to new areas of business, they are looking at multiple adjacencies to find new revenue models between sectors. This impacts both B2B and B2C.

+ Health
Health data has been elevated with governments focusing on reducing chronic illness and citizen wellbeing. Citizen data combined with IoT data could better help the national agenda.

+ Energy and ESG
ESG trends and the need for Telecom to be carbon neutral can be offset by energy models. Delivering batteries, solar panels and renewal energy may be closer to Telco than current energy companies business models.

+ Insurance
With IOT and Telemetry data, new insurance models are emerging with Telco being a possible enabler to car insurance, health insurance.

+ Home / Office
The future home offering may move to service orientated models – of connecting and supporting devices, platform services and working with ecosystem providers. To better help the home be more connected.

Convergence and New Business Models

+ Banking
Banking and Payments is an ongoing space of disruption with traditional banks looking at new models. New Digital banking license are enabling Telco's to enter into banking markets.

Platform
Data and ecosystem will be key in the new world and how Telecom can leverage and pivot using customer data, and ecosystem data and look at new monetization opportunities.

Artificial Intelligence In A Nutshell

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BlackRock and AI for Investments – a Use Case

Data Analysis

It analysis vast amount of data from various sources to identify patterns, trends and insights to inform investment decision

Risk Assessments

BlackRock AI can assess and quantify risks associated with different investment strategies, assets, and portfolios to optimize risk-adjusted returns

Portfolio Optimization

BlackRock AI can optimize investment portfolios by analyzing multiple factors such as risk tolerance, asset allocation, and market conditions to maximize returns.

**Natural Language Processing**

BlackRock AI can analyze and process natural language data from news, social media, and other sources to gather sentiment analysis and assess market sentiment and investor sentiment.

Predictive Modeling

BlackRock AI can use advanced predictive modeling techniques to forecast market trends, asset performance, and other relevant variables to support investment decision-making.

Machine Learning

BlackRock AI can leverage machine learning algorithms to continuously learn from market data, adapt to changing market conditions, and improve its investment strategies over time.
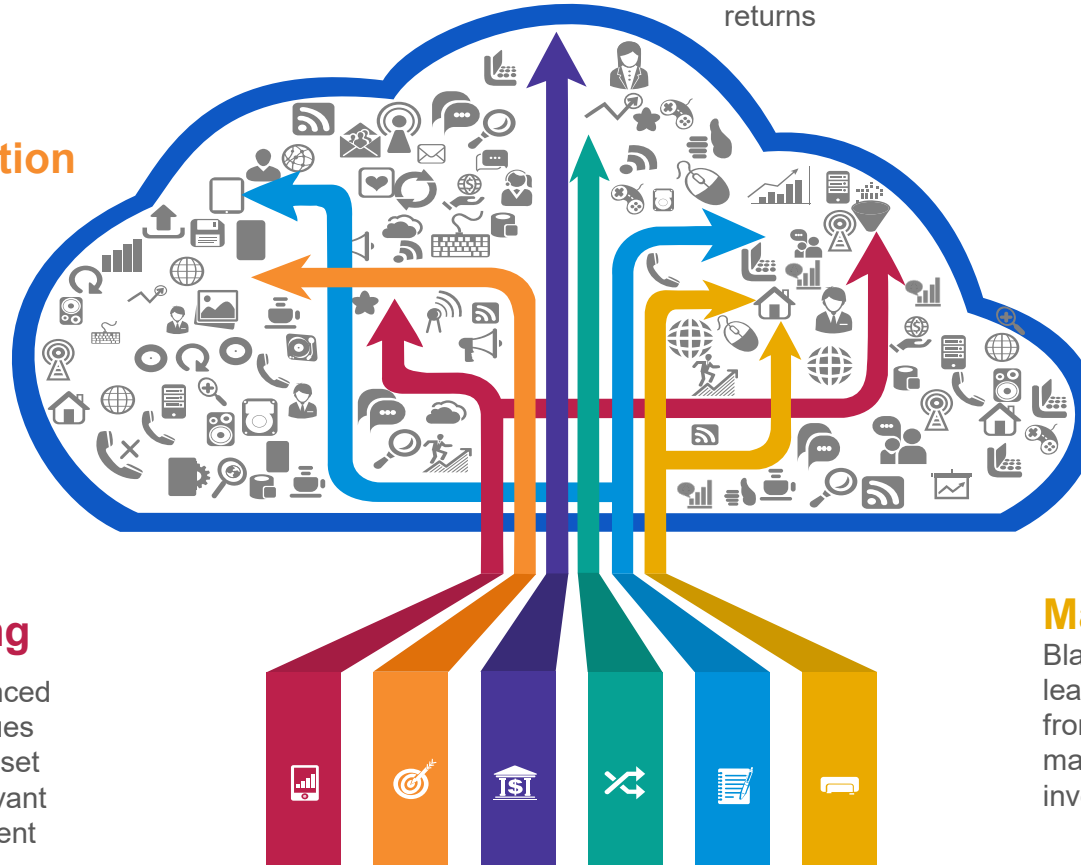
Use Cases of ChatGPT in Accounting
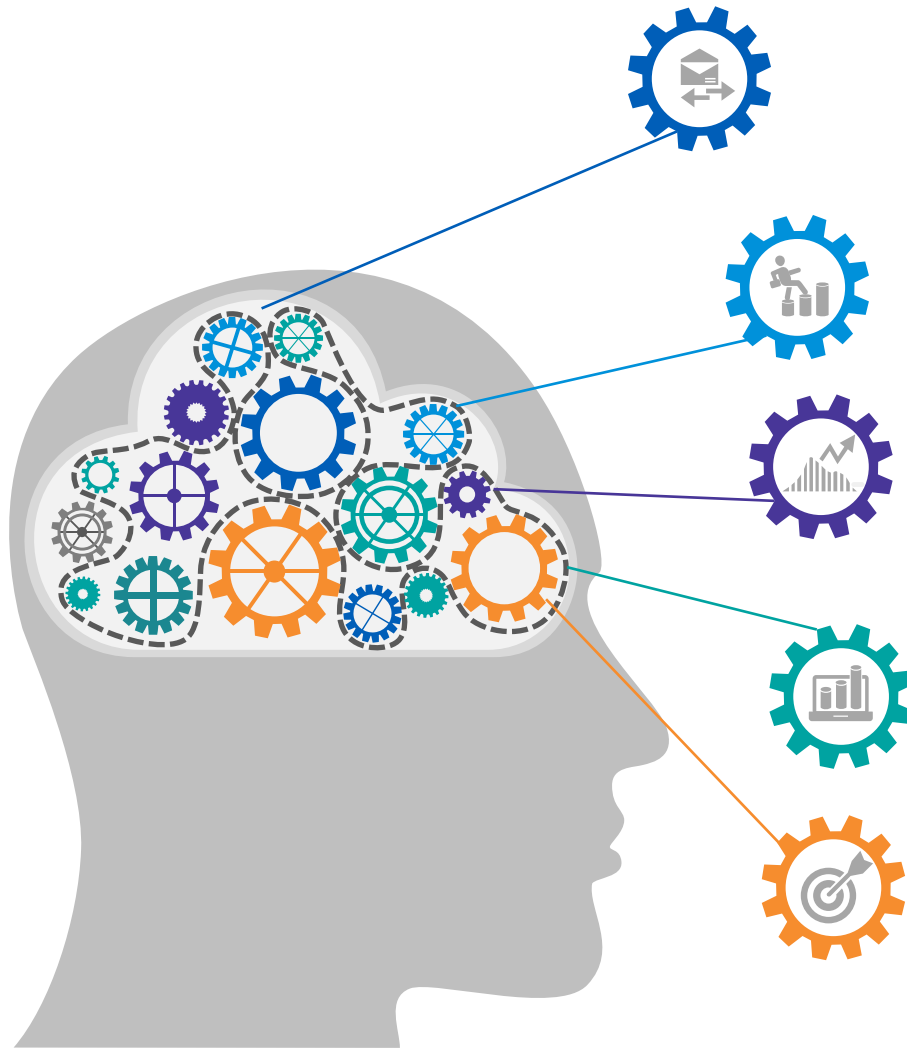
1 **Financial Reporting**: ChatGPT can generate financial reports by analyzing data from various accounting systems, extracting relevant information, and presenting it in a structured and organized format for financial statement preparation.

2 **Data Analysis**: ChatGPT can analyze large volumes of financial data, such as transactions, invoices, and receipts, to identify patterns, trends, and anomalies that can aid in financial analysis and decision-making

3 **Audit Assistance**: ChatGPT can assist auditors by reviewing and analyzing financial records, checking for compliance with accounting standards, and identifying potential audit risks or discrepancies

4 **Financial Advisory**: ChatGPT can provide financial advice and recommendations based on financial data analysis, key performance indicators, and financial ratios to help businesses make informed financial decisions and optimize their financial performance.

5 **Fraud Detection**: ChatGPT can be trained to recognize patterns in financial transactions that may indicate fraudulent activity. This can help accountants quickly identify and investigate potential instances of fraud.

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Electric Vehicles (EVs) and Tax

www.aeromobil.com

EV Incentives
Governments especially in Europe are introducing incentives to encourage the adoption of EVs, such as tax credits and rebates

Fuel Tax Revenue
Revenue from fuel taxes, which are typically used to fund road infrastructure will decline as EVs do not require gasoline or diesel

EV Charging Infrastructure
Investment in EV charging infrastructure is required to support the growing number of EVs on the road and this would require funding through tax

Employment Opportunities
The growth of the EV industry could create new job opportunities in manufacturing, research and development, and related industries. This could result in increased tax revenue from income taxes paid by employees and companies involved in the production and maintenance of EVs

Reduced Health Costs
EVs are known to have lower emissions, which can lead to improved air quality and reduced health costs associated with pollution-related illnesses. This could result in lower healthcare expenses for the government and taxpayers in the long run
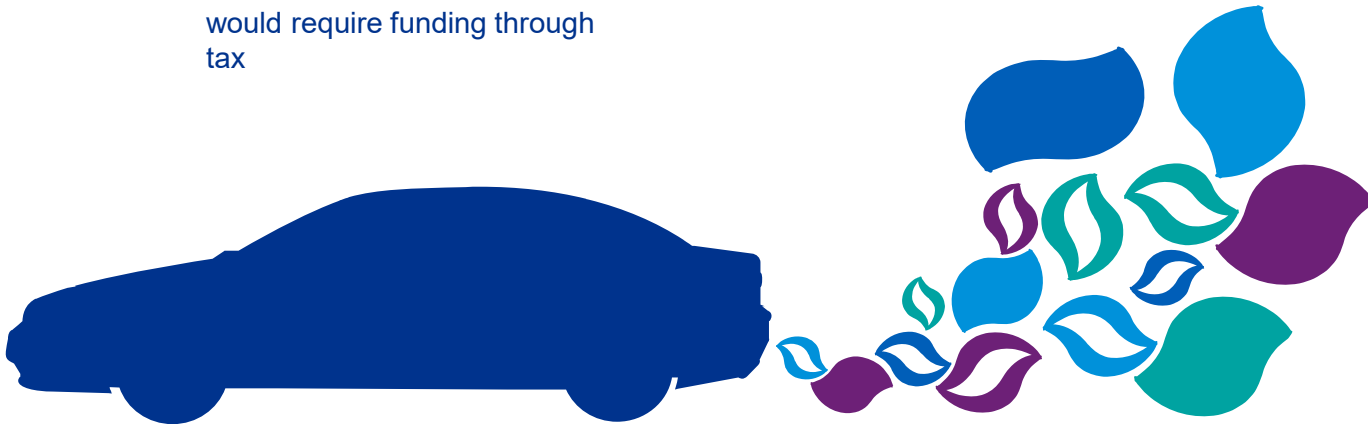
- Electric vehicles sales projections predict that the number of EVs sold worldwide in 2023 will increase by 32.04%, compared to the 10.3 million cars sold in 2022 - Bloomberg

- 86% of all vehicles sold in Norway in 2021 were electric cars and they are aiming to phase out gasoline powered cars by 2025, whereas India is expecting to do so by 2030 and France and the United Kingdom by 2040 – International Energy Agency.

- Tesla Model Y is the most popular electric car in the US, accounting for 22.5% of the sales in Q3 of 2022 - Counterpoint Research

- Revenue in the Electric Vehicles market is projected to reach US$177bn by end of 2023 - Statista

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Recent Events In The Accounting Profession

Recent Changes in Finance & Accounting

2017	2018	2019	2020	2021	2022
Mobile Accounting (ERP)	Robotic Process Automation	Advanced Analytics in Accounting Software	Cloud-based software/Remote Accounting	Blockchain and Distributed Ledgers	Automation and AI Infused Accounting

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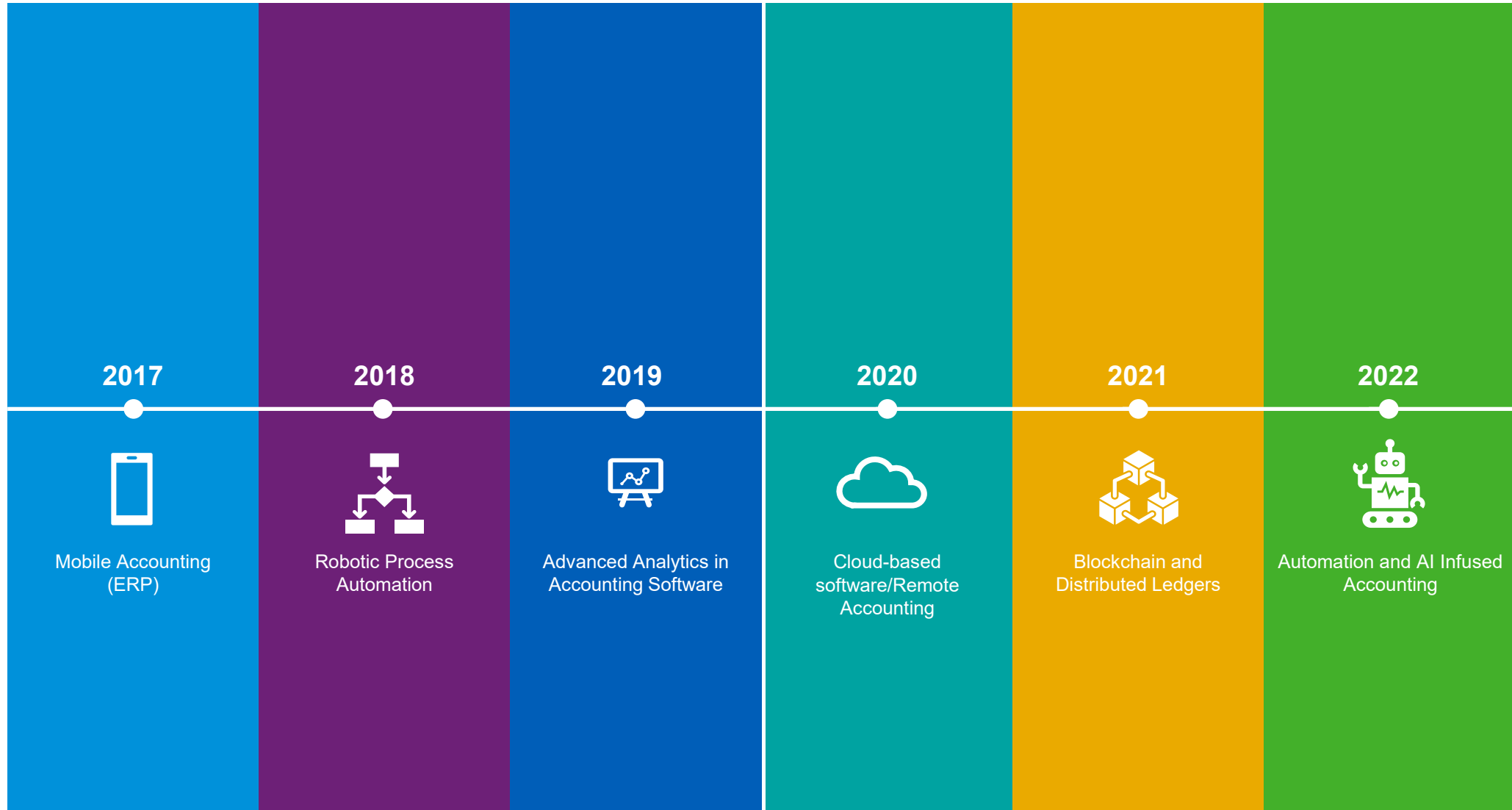
Benefits and Impact of Digitization in Accounting

Cloud-based Accounting Software
Cloud-based accounting software has made it easier for businesses to track their financial performance on a real-time basis, which has improved decision-making and enabled businesses to be more proactive in managing their finances.

New Business Models
Additionally, the changes in accounting have led to the development of new business models, such as subscription-based services and pay-as-you-go models. These models are based on recurring revenue streams, which require businesses to have a deeper understanding of their financial performance and forecasting capabilities

AI and Machine Learning
The adoption of AI and machine learning has led to greater accuracy in financial reporting by minimizing human errors and increasing the speed at which data can be analyzed. This has resulted in more accurate financial statements and reduced the risk of non-compliance with accounting standards.

Increased Efficiency
Digitization automates several manual accounting processes, such as data entry, reconciliation, and reporting, which reduces the time and effort required to complete them. Businesses now process more transaction in less time and have more accurate financial information leading to new business opportunities, which have helped them to be more competitive in today's dynamic business environment.

Challenges of Digitizing Accounting

Challenges

- Cybersecurity

- Skills Gap

- Standardization of Accounting Solutions

- Change in Work Approach

- Ethical Concerns

Key Success Factors

- Improved Cybersecurity to safeguard financial data

- Investment in training and upskilling

- Improved standardization and integration of
- various accounting solutions

- Adaptation to the changes in the approach of
- the accounting profession

- Increased compliance & Ethical restrictions

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Key Takeaways

How Accountants Should Prepare for a Changing World

Embrace New Technologies

Accountants should stay up-to-date with the latest technological advancements, such as cloud computing, automation, and blockchain.
These technologies can improve efficiency and accuracy in accounting processes.

Skills Development

Accountants should develop skills in data analytics, cybersecurity, and AI. These skills will be critical to ensure data integrity, prevent fraud, and provide valuable insights.

Provide Value-added Services

Accountants should focus on providing value-added services to their clients, such as business consulting and financial planning.
This requires a deep understanding of the client's business and financial needs.

Build Strong Relationships

Accountants should build strong relationships with their clients and provide personalized services to meet their unique needs.
This will help them differentiate themselves in a competitive market and retain clients in the long term.

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Global Perspective Regarding the Future of Accounting

The accounting industry is rapidly evolving with automation, minibots, machine learning, and adaptive intelligence becoming part of the finance team

We see the role of accountants in the future being one of strategic importance, using technology to enhance their service and keep clients

The Skills Framework for the Accountancy sector identifies emerging skills required in the industry with a shift in demand to advisory skills such as Finance Business Partnering, and Business Innovation and Improvement

Future accountants need a solid grounding in the fundamentals of financial reporting and a familiarity with a broad range of other topics if they are to keep up with the innovations and developments

Accountants of the future will be required to possess strong communication skills, superior IT skills, and strategic vision, and they will be devoted to constant professional development in order to be successful.

Finance will continue to automate, but the focus will shift from operational finance to financial insights. Finance will focus more on service, analytics, and business insights, all of which mandate new capabilities

Conclusion

- The accounting profession is undergoing significant changes in a digitized world.

- Accountants who embrace new technologies and develop new skills will be well-positioned to succeed in this changing landscape.

- The benefits of digitization in accounting are numerous, but there are also challenges that need to be addressed.

- Looking into the future of accounting, it is evident that the role of accountants will evolve to incorporate more technology-based skills, including data analytics, artificial intelligence, and blockchain.

- The emergence of these technologies will enable accountants to focus on value-added services, such as advising clients on financial strategy and decision-making. Furthermore, these technologies will help accountants work more efficiently and effectively, improving the quality and timeliness of financial reporting.

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