

Contemporary Issues in Accounting: An Overview

Md. Ferdous Khan

Corresponding Author: Md. Ferdous Khan
Lecturer, Department of Accounting,
Sitakunda Degree College
Sitakunda-4310, Chattogram, Bangladesh

ABSTRACT: *Accounting has evolved constantly over the past two decades, with each new addition and innovation making it even better and challenging though providing satisfaction and convenience to the users. Modern accounting has reached the present stage after undergoing gradual changes over the years; by keeping pace with the fast evolving technological advancements; economic changes and environmental challenges. There has been consistent modification and development from manual systems to technological alternatives which has made accounting easier and convenient for users. The recent trend in accounting towards faster technologies has immensely increased its capacity to serve users as well as expected to make it easily accessible, less expensive and time saving. The present study considers some of the contemporary issues in accounting and gives a brief overview on these.*

KEY WORD: *Accounting, Contemporary Issue, Technology, Economy and Environment*

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I. Introduction

As the language of business, accounting provides financial information of a business organization to its interested parties for making various decisions. Emerging globalization, new economic and environmental challenges, rapid advancements in information technologies (IT) and the requirements of diversified skills are not only bring changes in businesses but also change the accounting horizon. The primary objective of accounting is to prepare financial statements in such a way that they give a true and fair view of business. Traditional accounting system includes three main activities – transaction processing systems that support daily business operations; general ledger system and financial reporting; and management reporting that offers internal stakeholders the required financial information for decision making. In addition to these, present accounting has to play more roles in understanding the risk, company's value chain and decision making. Contemporary issues in accounting help the organizations to cope with recent economic development as well as with the technological advancement.

II. Research Objective

The objective of the study is to identify and give a brief overview on contemporary issues in accounting. Some of the recent issues in accounting are:

- i. Cloud Accounting
- ii. Forensic Accounting
- iii. Artificial Intelligent in Accounting
- iv. Blockchain
- v. Big Data in Accounting
- vi. Environmental Accounting
- vii. Accounting for Price Level Changes and
- viii. Human Resource Accounting

III. Research Methodology

Basically, secondary data were used to conduct the study. Aligning with the objective, relevant data were collected from secondary sources. To collect secondary data, several books, articles, website and some newspapers etc. were collected and reviewed to complete the study.

IV. Contemporary Issues in Accounting

4.1 Cloud Accounting: The field of accounting has significantly advanced with the development of accounting software. As a new system of accounting, called cloud accounting is introduced by using the services of cloud computing technology. Cloud accounting is performing accounting function over the internet. ‘The cloud’ is a platform to make data and software accessible by online at anytime, anywhere, from almost any device having an internet connection. In cloud computing, users access to software applications remotely through the internet or other network via a cloud application service provider. As new and advanced software is being introduced, people are gradually shifting from the traditional accounting system to the cloud accounting system ^[1]. Technology is helping them find better work/life integration. Cloud computing give businesses access to financial information that can be handled by their accountant and accessed at any time, even an hour, or a minute. In cloud accounting, data is sent into ‘the cloud’, where it is processed and returned to the user. All application functions are performed off-site, not at the users’ desktop, which frees the business from having to install and maintain software on its individual desktop computers ^[2].

4.2 Forensic Accounting: As the complexity and scope of trade, commerce and business has expanded throughout the world, the need to track money and financial information has also grown. There has been a corresponding increase in illegal financial activities and fraud. Due to the sharp rise in financial fraud and white collar crimes, forensic accounting has gained attention. Forensic accounting is the application of accounting knowledge and investigative skills to identify and resolve legal matters. It is the art of investigating accounting records, financial statements and other related financial document for resolving conflict and legal support. ‘Forensic’ means “belonging to or suitable to use in a court of law”, that’s why forensic accountants attempt to produce findings that can be used in court as evidence. Basically, forensic accounting includes the use of accounting, auditing, and investigative skills to assist in legal matters. It comprises two major components - litigation services which recognize the role of an accountant as an expert consultant; and investigative services which use a forensic accountant’s skills and may require possible courtroom proof ^[3].

4.3 Artificial Intelligent in Accounting: Nowadays technologies impacting our lives in many fields and it keeps developing and changing in a rapid pace. Individuals and companies are trying to cope with this advanced technology and apply it in ease their live in many aspects. Artificial intelligence (AI) is the study and developments of intelligent devices and software that can reason, learn, gather knowledge, communicate, operate and perceive the objects ^[4]. Artificial intelligent technology allows computers and machines to simulate human intelligence and problem solving abilities. The ideal characteristic of artificial intelligence is its ability to rationalize and take action to achieve a specific goal ^[5]. Artificial intelligence in accounting refers to the application of AI technologies, such as machine learning algorithms and natural language processing, to automate and enhance various accounting processes. This includes areas such as financial reporting, audit and compliance, fraud detection and data analysis. AI in accounting can help to increase accuracy and efficiency, reduce costs, and provide valuable insights and predictions for decision-making ^[6]. AI plays a vital role in accounting system to efficiently manage the accounting works of an organization. In accounting practice, data analysing and interpreting is one of the complex tasks to the big organization and the use of AI technology gives high positive results like increasing productivity, improving accuracy, reducing cost and time. AI has changed the traditional way of accounting works and improves personnel qualities, avoid accounting fraud and create a positive impact on accounting.

4.4 Blockchain: Blockchain is described as a type of financial technology (FinTech) or a type of distributed ledger technology (DLT). It is a sequential database or a giant spreadsheet that outstrips the classical financial ledger by recording transactional information, secured by cryptography, and governed by a consensus mechanism ^[7]. Technological advancements have always played a vital role in shaping the way of professionals to manage and process the financial data. Block chain is one of the innovations that has gained significant attention in recent years. It can simplify operations, reduce transaction settlement time and counterpart risk, minimize fraud and enhance capital liquidity and regulation. Block chain technology provides an immutable and decentralized ledger system, allowing for transparent and secure transactions. In accounting, this means that every financial transaction can be recorded on the block chain, creating a transparent and auditable trail of data. With all stakeholders having access to the same information in real-time, the trust between parties can be significantly improved, reducing the need for intermediaries and increasing the accuracy of financial reporting ^[8].

4.5 Big Data in Accounting: Data is the heart of accounting and so big data can help accountants to deliver more value to businesses. Big data will increase the quality of accounting information and the accounting profession will continue to provide real-time and dynamic information to help in decision making. Big data refers to massive amounts of data that is boosted by growth of computer technologies, emergence of new sources of data and growth in infrastructures for information technology ^[9]. It uses sophisticated techniques for handling complexity of large data; includes a complex, which is produced at higher speed and can be

characterized as large volumes of data that flows with a high velocity, and a wide variety of data. Here data includes both structured, semi-structured and unstructured which can include types of data such as text, numbers, images and videos among others. In accounting, big data allows real-time processing of data, which will enable the companies to develop accurate financial information, effectively measure performance and reliably prepare budgets ^[10].

4.6 Environmental Accounting: Environmental accounting is an innovative approach to financial and economic analysis that evolved in response to growing concerns about the environmental impact of human activities. It is a specialized field of accounting that emphasizes on integrating environmental and social factors into financial and economic decision-making processes. Environmental accounting increases the awareness led to demands for more comprehensive ways to account for the costs and benefits of economic activities on the environment. Environmental Accounting is a branch of accounting that identifies resource use, measures and communicates costs of a company's or national economic impact on the environment ^[11]. It emphasizes on sustainability by assessing the long-term impact of economic activities on the environment and society, ensuring that present actions do not compromise the ability of future generations to meet their needs. Nowadays industrial operations worldwide cause significant environmental liabilities; with its associated financial effects. Therefore, industries are becoming more aware of the social and environmental liabilities pertaining to their operations and products.

4.7 Accounting for Price Level Changes: Conventional accounting assumes that money has stable value. Under conventional/Historical Cost Accounting, assets are recorded by the business at a price at which they are acquired and there will be no change in their values even if the market value of such assets is change. Similarly, liabilities are recorded at the amounts contracted for and such amounts are not revised to compensate for changes in the price level. But in reality, value of money varies from time to time due to changes in the general level of prices. In the light of continuous rise in prices, the methods of account for price level changes were developed. The general tendency of changes in prices of goods and services over a period of time is called price level. Accounting for price level changes also denoted to as inflation accounting is a financial reporting system which records the consequences of inflation on the financial statements that a company prepares and publishes based on the assumption of a stable currency. This system of accounting determines profit or loss and presents financial position of the business on the basis of current prices ^[12].

4.8 Human Resource Accounting: It is the human resources that enable an organization to achieve its goals and objectives. Without the right people to do the right job, an organization is unable to survive in the dynamic business world and gain a competitive edge. Human resource accounting (HRA) is the process of identifying, measuring and communicating data regarding human resources to the interested parties for relevant decision-making. In today's competitive business world, success of any organization mostly depends upon the efficient and effective human resources. HRA helps in the administration of all human resources by giving information to senior management in the form of presentations for improved decision-making. Its goal is to develop and execute management perceptions for regulating human resource operations ^[13]. Human resource accounting shows that organizations care about their employees and this in turn induces a feeling of belongingness in employees that enhances their levels of satisfaction. Therefore, the employees work more productively and often turn out to be loyal employees of the organization ^[14].

V. Conclusion

Accounting is essential to society and the economy. It provides the tools and knowledge needed to manage financial assets effectively, promote transparency and accountability. Like other disciplines, contemporary issues also assist accounting in smooth functioning and fulfil the needs of different stakeholders. Cloud accounting refers to accounting services hosted distantly on the cloud by which multiple users can access from everywhere. Accountants by using cloud technology can do their job swiftly and more efficiently. Forensic accounting assists as a regulatory and investment tool that allows accounting professionals to predict whether organizations are involved in financial reporting misconduct. The use of AI applications will make the work of the accountant more valuable, simple, increases analytical capability and decision-making ability etc. ^[15]. Big data helps to improve the quality of accounting data through facilitating accuracy, completeness and making it available for use in decision-making in real-time. Environmental accounting comprises integrating ecological and social factors into traditional accounting frameworks to create a more balanced and sustainable perspective on economic performance. Environmental accounting can be used to show the potential for environmentally beneficial investments to yield significant financial pay-offs, through the avoidance of environmental liabilities. Historical accounting system does not consider the effect of price level change on financial statements. Accounting for price level changes is a method of maintaining accounts where all items in financial statements are recorded at current values. Human resources are critical components of every company and play a significant role in attaining desired outcomes. Information provided by HRA also enables an organization to develop suitable human resource policies that ensure high employee satisfaction as well as ensure that the

human resources are provided with a healthy and safe working environment. HRA is a field focused on recognizing and assessing data on the human resources employed by a company.

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