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Block Chain Technology In Accounting –Disruptive Technology

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Abstract:

Technology creates disruption; this is proven in each and every industry on a day today basis. Accounting as a process there was not a big transformation happened in it apart from the manual accounting to systematic approach, which in turn leads the accountant to be computer friendly. In the recent scenario Block chain has gained increasing prominence over the past year. Encompassing as a technology behind crypto currency exchanges, it has now shown promise in almost every other sector of the economy as it's a secure, reliable and tamper-proof way of recording transactions and exchanging data. Block chain helps with verification of information and news; it can create better user control mechanisms. Block chain ensures the decentralization which in turn ensures the privacy and security through a distributed consensus mechanism. It serves to be a transformation as such World Wide Web changed the scenario. Block chain technology has the prospective to flip over entire sectors; particularly the financial sector may undergo disruptive change. Block chain technology has caught the interest of many of the largest financial institutions, the block chain it is basically created to record crypto currency transactions, later on it has involved into various domains such as banking, financial markets and insurance. The paper would discuss on how block chain could facilitate a real time and transparent accounting system.

Key words: Technology, Disruptive, Block chain, Decentralization, Cryptocurrency, Digitalization

INTRODUCTION:

Accounting is one that is constantly faced with the challenge of keeping up to date with financial trends as they emerge, and it is needed to accurately track the assets and liabilities of the clients in an ever-changing world. The most important technologies to develop in the past decade are the advent of crypto currencies, the most notable of which is Bitcoin. It is, therefore, vital to

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understand how these forms of payment play a vital role in the field of accounting. The block chain is that the digital ledger that contains a record of each Bitcoin group action ever completed. It is visible by everybody who uses Bit coin, and it cannot be changed once the record is struck. The challenge that digital currencies and crypto currencies face is to establish a means of sending and receiving money that is trusted by every user.

Digitalization of Accounting Technology:

Digitalization of the accounting system is yet to be get explored into the present scenario, the recently emerged Block chain is a trustless, distributed ledger that is openly available and has insignificant costs of use. The use of the Block chain for accounting is hugely promising. According To Swan (2015), "Block chain is like a giant spreadsheet for registering all assets and an accounting system for transacting them on a global scale". From simplifying the compliance with regulatory requirements to enhancing the prevalent double entry bookkeeping, anything is imaginable. Block chain is an accounting technology. It is involved with the transfer of possession of assets, and maintaining a ledger of accurate financial information. The accounting process is broadly concerned with the dimension, communication and the analysis of financial information, much of the profession is concerned with ascertaining or measuring how to best allocate financial resources. The block chain provides clarity over ownership of assets and existence of obligations, and could significantly improve effectiveness. The challenge that digital currencies and crypto currencies face is to determine away of causing and receiving cash that's trustworthy by each user.

Block chain has the possible to enhance the accounting occupation by reducing the prices of maintaining and adaptive ledgers, and providing absolute certainty over the ownership and history of assets. It could help accountants gain clarity over the available resources and requirement of their organizations, and also pave the way for resources to concentrate on planning and valuation, rather than recordkeeping. The change of dimensions in today's scenario as such Machine learning it's an automation trend where block chain will improve the transactional level accounting, without the interference of accountants, in turn the accountants will be working on the economic analysis of block chain.

Block chain Technology - Enhancement in Accounting:

Contemporary financial accounting is based on a double entry system. Double entry accounting revolutionized the sector of financial accounting throughout the Renaissance period; it resolved the setback of managers knowing whether or not they might trust their own books. Audit was a real time costly exercise, binding the company's accountants for long time periods. In this way Block chain technology may represent the subsequent change in accounting: in spite of maintaining the separate records based on transaction receipts, the technology supports in companies can write their transactions directly into a joint register, creating an interlocking system of enduring accounting records. Since all

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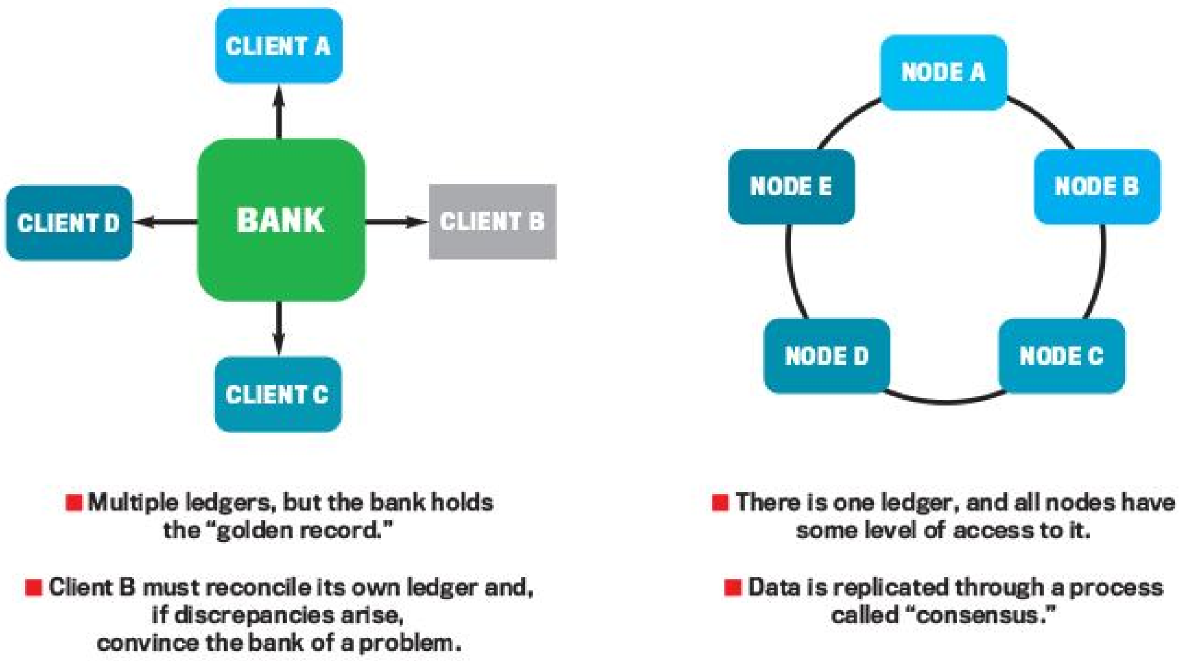
entries are distributed and cryptographically sealed, destroying them to conceal activity is unattainable. The transaction can be verified by a notary – only in an electronic way

FIGURE 1: CENTRALIZED LEDGER VS. BLOCKCHAIN LEDGER



The companies would detriment in several ways such as

- Standardization would allow auditors to verify a huge portion of the most essential data behind the financial statements automatically.
- The cost and time involved to conduct an audit would be reduced considerably.
- The Auditors could spend at large time on areas they can add more value, e.g. on very intricate transactions or on internal control mechanisms

Prospective Payback of Block Chain Technology

- ❖ It reduces the overall cost of transaction
- ❖ Reduces the systemic risks involved

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- ❖ Reliable and tamper - proof way of recording the transactions
- ❖ Fraud minimization
- ❖ Effective security and risk free transactions
- ❖ Monitoring and auditing will be effective by supervisor, regulators and participants

Few Paradigm Shift in Banks with Block Chain Technology

- ❖ Deutsche Bank is currently examining on utilizing block chains in currency settlement and trade processing.
- ❖ The Barclay's Bank runs specific labs for Bit coin users, entrepreneurs, and coders.
- ❖ Citigroup has already begun testing waters with their experimental currency known as "citicoin".
- ❖ IBM has launched a cloud base technology
- ❖ It can be stated with confidence that Block chain has a significant hold on the financial sector, For example, the transparent nature of the block chain is beneficial which helps to root down to the place where the errors occur, thus, increasing the quality and which in turn helps to decrease the costs. It can be understood that considering costs and profits, accounting can also be simplified at a foundation level.

COMPETENCIES FOR THE FUTURE

Accountants will not need to be engineers with detailed knowledge of how blockchain works. But they will need to know how to advise on blockchain adoption and consider the impact of blockchain on their businesses and clients. They also need to be able to act as the bridge, having informed conversations with both technologists and business stakeholders. Accountants' skills will need to expand to include an understanding of the principle features and functions of blockchain – for example, blockchain already appears on the syllabus for ICAEW's ACA qualification.

CONCLUSION:

The block chain technology has the prospective to shape the nature of today's accounting. It would constitute a way to vastly automate accounting processes in compliance with the

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regulatory requirements. There are abundant starting points to leverage blockchain technology. A tumble of new applications will likely follow that are built on top of each other, leading way for new, extraordinary services. The technology is competent of providing a much more apparent and secured accounting framework to trail the transactions. Hence the tradition method of accounting would become as the disruptive and all the accountants instead of record keeping it is better to be an interpreter in descision making.

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