



Analysis of financial reporting in terms of costs for decision-making

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Abstract

Integrated accounting allows you to connect all systems so that they work together smoothly. In the past, companies have used separate tools for separate purposes in accounting, invoicing, sales, customer management and so on. Managing these different data flows ensures consistency between reports being resource-rich, often inaccurate. The emergence of the Industrial Revolution 4.0 created a new face in the advance phase of information technology. Currently, the government is taking rapid steps towards a superior business strategy by creating an integrated roadmap for the implementation of the business strategy. The Industrial Revolution 4.0 has had a huge impact on all sectors of the world economy, especially in the manufacturing industry, which has begun to enter automated trends and data sharing. The scope of the Industrial Revolution 4.0 includes cyber systems, the Internet of Things (IoT), the cloud and cognitive computing. Currently, the birth of digital technology within the framework of the Industrial Revolution 4.0 has an impact on the lives of people around the world.

Keywords

System, accounting, finance, cost, management

Introduction

To this industrial revolution 4.0 properly, collaborative measures are needed involving all stakeholders, such as from government institutions, foundations and industries, as well as academics. The Industrial Revolution 4.0, considered to have the potential to degrade the role of man, prompted Japan to give birth to a concept, namely Society 5.0. Through this concept, it is hoped that intellectual reproduction will transfer a large amount of data that has been collected on the Internet into a lifetime in a new wisdom. It is the hope that growing people are able to open up new perspectives. The concept of revolution 4.0 and society 5.0 does not have much difference. Only the concept of society 5.0 focuses on the Community context.

Through the combination of the Industry 4.0 revolution and the 5.0 society, companies in various sectors must be able to compete and grow rapidly through the use of technology-based human resource skills, using the IoT (Internet of Things), using virtual or augmented reality, and using AI (artificial intelligence). Currently, the rapid development of digital technology makes the flow of information circulate so fast, the sophistication of the use of Internet technology has changed the vision of every human being in obtaining information, including in the world of business accounting (Martić et al., 2017). The development of technology is changing, making them as limiting the skills of human resources needed in business, including accounting staff. The global system provides the objective of accounting for social and environmental values, provides a need for the governmental, private and social sectors to meet the development goals and consequences of responsibility. Business



entities or corporations are not simply required to submit financial reports that are limited to providing financial information.

Moreover, it appears that digitisation requires more comprehensive reporting. The role of accountants as guardians of financial statements began to change with the ever wider and more complex requirements of corporate reporting. Companies in modern times cannot refuse investors' requests for various non-financial reports that have an increasingly important role in assessing business continuity. The development of digital technology has an impact on every company that strives to use it and changes the business flow in the operation of the company so that reporting requirements become more complex as enterprises grow. The utility of the company's website to distribute materials about its economic performance is known as financial reporting on the Internet (IFR). Comparing financial reporting on the Internet to traditional financial reports, IFR is preferred by insiders and stakeholders because of the benefits of IFR, such as cost savings and time efficiency (Bananuka et al., 2019; Mokhtar, 2017).

Companies must be motivated by the demands of this era of globalization by providing accurate and timely information, through the transparent and open publication of company information, both financial and non-financial information to stakeholders, which are presented in an integrated report. Therefore, companies must be able to cope with the challenges that will arise by publishing detailed, timely and accurate information about the company, with the help of the reliability of the use of the Internet. Based on this, there will be a recognition of the corporate reporting standard (Salaudeen and Alayemi, 2020). Given the need for high-quality financial reports, this means that the use of financial reporting on the Internet is a tool that helps companies dialogue with stakeholders and reduce the problem of information asymmetry (Pour and Imanzadeh, 2017).

The use of the Internet in corporate sustainability reporting is a complementary approach to consolidated printed sustainability reports, which have been published more and more often, especially by large companies in recent years; even with regard to financial reporting on the Internet, it is still voluntary. This allows a company to overcome the limitations of the sustainability report in terms of information scope, accessibility and comprehensiveness, as well as interactivity and stakeholder involvement in sustainable dialogue through the company's website (Khan, 2015; Windarti, 2020).

The purpose of this financial reporting on the Internet is an important tool in achieving the future performance of the company in all dimensional aspects and at all levels that determine the company's sustainability. In addition, a number of studies on financial reporting on the Internet show that there are still some problems with regard to comparability in terms of disclosure of information. This is due to the use of information as a separate purpose and not to produce the objectives of an organization in capacity-generating that involves certain aspects, such as decision-making, governance, and business planning processes. Furthermore, the existence of this financial reporting on the Internet can guide the adjustments of the company's strategy and can pay attention to issues related to corporate sustainability for the benefit of stakeholders (Windarti, 2020).

1. Brief history of financial reporting standards through cost perspective

The era of the Industrial Revolution 4.0, which is an era with a very rapid development of the Internet, has an important role in business communication around the world. This development is due to the



need to make widespread use of the Internet in all business sectors, in particular so that companies can publish their financial reports. At the moment, no obligation has been implemented requiring companies to report their financial training periodically through the use of the Internet, so this reporting is still voluntary.

Various companies still face obstacles in producing good-quality financial reports, with regard to Internet financial reporting (IFR), which influences the provision of recorded, stored and processed financial information. Therefore, the purpose of financial reporting on the Internet is to provide accurate and timely information about the financial performance of a company to various users through the entity's website (Bananuka et al., 2019).

In addition, the use of technology to transmit financial and non-financial information to stakeholders is known as Internet Financial Reporting (Salaudeen and Alayemi, 2020). The Web, known as the Internet, is a communication tool used by companies to publish their reports. It is one of the most powerful means of communication in the business world. The purpose of using the Internet is to help companies disseminate their information to shareholders, management and other users of company information. With the help of the Internet or web media, anyone who has a digital network terminal can access the information connected to the network.

It therefore offers stakeholders the convenience, flexibility and ability to obtain information for the desired purposes (Salaudeen and Alayemi, 2020). As an instrument of public accountability, financial statements presented through the Internet will bring regional financial management in a more transparent direction. These advantages make IFR an increasingly preferred means of corporate communication. It also helps companies overcome problems such as significant maintenance costs, information overload, and IFR trust and security, plays an important role in demonstrating transparency and management accountability in running business (Khan et al., 2017; Windarti, 2020). Achieving the significant development of IFR, regulators and standardisation bodies around the world have asked companies to disclose corporate information on their websites. Such a development has affected the conventional form of disclosure of information by companies (Ahmed et al., 2015).

This financial reporting content on the Internet includes financial information such as balances, profit and loss statements, cash flows, changes in financial capacity and company sustainability reports (Suryanto, 2019).

Corporate information disclosed through Internet users, in particular, especially small investors or foreign investors who do not have direct and immediate access to the financial information of the company. In other words, corporate reporting on the Internet can be defined as a voluntary information publishing tool that allows companies to publish on the internet all or part of its financial and non-financial information, presented in multiple formats and languages, using the most advanced and interactive electronic features to facilitate communication through the website and its use (Alebrahim, 2018).

Corporate Internet Reporting (CIR) refers to the financial disclosure through the Internet of historical and financial data and the exposure of current situation and future plans. It provides financial information to clients and stakeholders regarding the investment decision-making process and market efficiency states that CIR provides financial performance, as well as the company's brand image and market position (Ariff and Bin-Ghanem, 2018).

The financial-accounting system of companies carries out processes that ensure a component of the organizational structure within which qualified personnel are employed, technical means of



computing with an information circuit between the sources of information and the components of the accounting system at the decision-making level.

In specialty theories, a system, regardless of its nature, presents a set of elements that interdepend each other to a goal. Any system consists of three activities - (1) input, (2) input processing and (3) output. Similarly, the accounting system includes a number of activities that are interrelated from the observation stage to the communication stage, Horngren, et. all (2006). Activities include collecting, recording, analysing the data to be formulated in the information to be communicated to users. The result is presented in the form of financial statements that users need to know in order to make decisions.

The Accounting Information System (AIS) complies with the principles, concepts, conventions, standards prescribed at the level of the academic community, the forum of specialists in the field, while generating the information of the categories of users. In addition, the accounting information system achieves convergence between the source of information of a accounting nature, a communication or output channel (financial statements) and the set of users or decision makers (both internal and external).

Accounting can be divided into several subsystems from which financial accounting, cost and management accounting are significant for the creation of a database required to select the analysis criteria for implementing the decision-making system, Boylan & Boylan (2017).

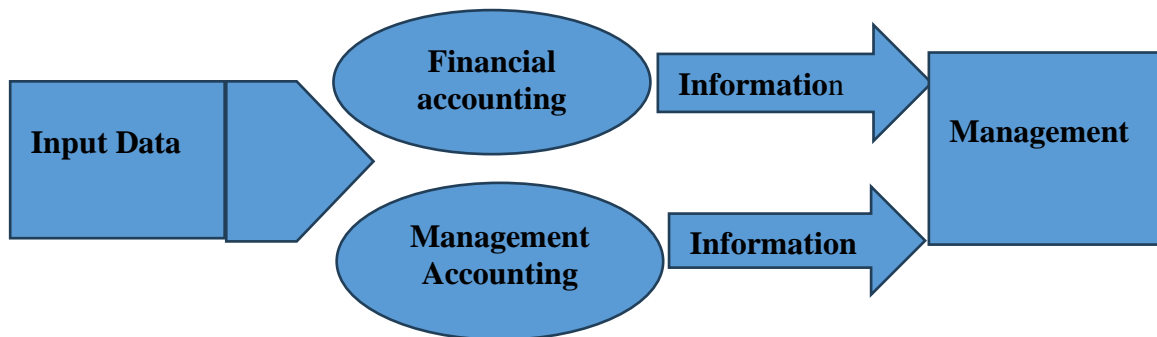


Figure 1. Information of the financial system - accountant

Financial accounting is the purpose of collecting, recording, classifying and reporting business information about economic events involving a specific accounting entity. The basis for the preparation of financial accounting is the General Accepted Accounting Principles (GAAP) - enunciated by the accounting profession. The function of financial accounting is to provide its users with the financial information of the company.

The main purpose of financial accounting is to provide such information to users, in addition to the primary purpose of providing information on the performance of the management / owners of companies, Drum & Pulvermacher (2016).

Management accounting is an integral part of the management process, which contributes to the increase in value by seeking to determine whether resources are used effectively or efficiently. Management accounting refers to reporting useful information to decision makers in the management system within multinational companies. Managers need different types of accounting system information for planning and control through the cost prism.



3. Tools used in cost dimensioning

Among the most used traditional accounting methods today are still standard cost, cost absorption, process cost and marginal cost. The most widely used innovative accounting methods in cost activities within multinational companies are activity-based, namely the ABC method, target cost method, lifecycle cost method and continuous cost management method.

Although many researchers argue that traditional accounting methods have lost relevance and should no longer be used in accounting management, there are many traditional tools that, although heavily criticised, are still widely used in developing countries. The choice of traditional accounting methods depends on contextual analysis, i.e. the size of the multinational company, national and organizational culture, human resources skills and, recently, technological progress.

In the last three decades, several researchers have criticized traditional accounting methods, arguing that the work of managerial accounting has lost its relevance due to the innovations and dynamism of business environments. Criticisms of the reduction in the relevance of traditional accounting methods have led to the emergence of new methods in cost accounting, such as the ABC method, the cost-target method, life-cycle cost method or the continuous cost management method. Although new accounting methods have been widely introduced in cost calculation, traditional methods are still widely used.

The development of accounting and cost control practices in modern companies took place mainly between the years 1850 and 1925 when cost accounting tools appeared, with the rise of innovation at the management level.

Many processes within accounting and managerial information systems are improved today through innovation and digitization, contributing to the high performance of multinational companies. However, there are also many risks, obstacles, and challenges. The patience of cost accounting professionals to adopt digital technologies in their work and use them to simplify their job and better results is a significant challenge that needs to be addressed.

The information provided by the traditional instruments presented in table 1. helped to analyse the operational efficiency of decision-making in terms of pricing and control and motivation activities.

Table No. 1. Traditional cost accounting tools

Method	Description
<p>Standard Cost</p>	<p>This cost is a managerial accounting tool that analyzes the variations of actual costs compared to pre-established standard costs in the planning phase. This cost method is used in the exception management method. Each cost element has a scientifically established standard cost (characteristici tehnice ale produselor, costuri istorice, etc.). Analysis of the differences between standard and actual costs makes it possible to detect deviations and take corrective measures to eliminate the cause of inefficiency. Although it is a tool that allows the correction of errors, it does not allow the combating of deviations in real time, but only after the completion of the production process. The standard cost</p>



	method provides convenience and speed in calculating production costs, preparing budgets, pricing products and evaluating the performance of organizational divisions. However, contemporary price dynamics, rapid change in cost structure and delayed feedback make this method ineffective, especially in highly dynamic economic sectors.
Cost Absorption	This method known as the total cost method, takes into account all the production costs of the product or service. Whether they are fixed or variable costs, they are gradually absorbed until the total cost is reached. Financial statements use the principles of absorption costs, as this method no longer requires further accounting treatments. However, the cost absorption method is not very compatible with highly automated work environments, without considering significant investments in IT solutions. However, the method was relevant, given the direct labour costs being the most significant component of the total cost.
Process Cost	This method is used when the organization produces homogeneous standardized products. The cost process method is also used in industries involving a assembly process. Cost calculation involves accumulating all costs for each stage of production or process. Then, the unit cost is determined in each stage by dividing the cost of each process with the units produced. The process cost system is useful in highly innovative industries.
Marginal cost	This method has two variants: variable costs and direct costs. This cost calculation tool evaluates variable and fixed costs, i.e. direct and indirect costs, separately to support decision-making. Marginal cost allows managers to focus on changes in cost structure and make decisions based on this information. The marginal cost is useful for supporting short-term decisions on procurement, sales, outsourcing of a part of the production process, etc.

Source: processed by Tabitha, N., Ogungbade, I.I., Cost Accounting Techniques Adopted by Manufacturing and Service Industry within the Last Decade. *Int. J. Adv. Manag. Econ.* 2016, 5, 48–61.

The main disadvantage of traditional instruments is a limited view of the workplace or cost unit and an incomplete overview of financial and overall performance. Through this analysis the perception of accountants targets traditional tools, as being intensely used in multinational companies due to lower costs, time consumption, and lack of skills. Our investigation showed that the cost of absorption is the most used tool in multinational companies among traditional instruments.

Other disadvantages of using these information technologies relate to the high level of human resource qualification required to use these technologies, the need to customize for each multinational company, which requires time and effort, and the elimination of many jobs among accountants. However, the implementation of telecommunications accelerated by the COVID-19 pandemic has led to a faster acceptance of digital technologies, including in multinational companies.



However, despite all the advantages offered, activities that require artificial intelligence cannot be carried out solely by AI, especially in multinational companies. For example, it is still necessary for experts to use the information provided by these digital technologies to improve estimates and forecasts, taking into account social and individual factors in the cost calculation process. In other words, at least at the current technological level, digital technologies can provide useful information. However, the final decisions must belong to human beings, who can identify on the basis of intuition and emotional intelligence factors that digital technologies ignore.

The digitisation of cost accounting in multinationals involves the automation of accounting processes to facilitate routine tasks and access to real-time cost information. In accordance with the analysis of the instruments presented in table 1. we have identified the characteristics of digital technologies implemented in traditional instruments. The speed of operations (in real time) and information security are the essential features of digital technologies implemented in traditional tools that influence their efficiency and effectiveness. In addition, the other features, i.e. personalization, reliability and accessibility, record high values of external burdens and external weights within multinational companies, proving their relevance to accountants.

Dugdale et al. show that traditional management accounting tools are still widely used alongside the innovative tools presented in table 2. Old tools are still useful in some contexts, taught in business schools and used in practice, sometimes alone in combination with other traditional or innovative cost tools. Bhimani and Willcocks and Bhimane show that, innovative tools have been introduced in many multinational companies, traditional tools are still in use. Digitization has generated the implementation of technologies, such as AI, BD, BC, CC or IoT, in existing IT solutions that facilitate the use of all traditional and innovative tools, offering high data collection capacity, real-time data access, high computing power, interpretation capabilities, and decision-making.

Table No. 2. Innovative cost accounting tools

Method	Description
ABC	The ABC, designed in the mid-1980s, achieved a more appropriate and realistic allocation of the organization's leadership. The implementation of this instrument is related to combating the disadvantages of the accounting system. ABC identifies cost factors according to the distribution of the organization's indirect and general costs on the cost of activities. Activity costs are then used to form the costs of products or services. Monitoring the activities and consumption of resources allocated to each activity enables a more rational distribution of costs on products and services. Resources are allocated to activities and activities are allotted to cost items on the basis of estimates of consumption. The ABC concept formed the basis of the successfully used activity-based management system (ABM) in the services sector. ABM enables the elimination of activities that do not add value and a better distribution of costs. However, ABC is expensive, time consuming and difficult to adjust.
	TC emerged in response to the challenges posed by consumer demand for diversity and shorter product life cycles. TC takes into account the



<p>Target costing (TC)</p>	<p>cost of products in the design phase, which have become increasingly significant in the total cost of a product throughout its life cycle. As a multidisciplinary cost approach, TC involves process re-engineering and total quality management techniques. The basic principle is to establish a competitive price for a product, starting from the market price. Then, by decreasing a desired profit margin, the target cost is obtained. The cost calculation tool is suitable for the services sector and industry, allowing a highly competitive approach. Based on the target cost, the cost elements can be estimated so that the final cost matches the target costs.</p>
<p>Lifecycle Cost</p>	<p>This method aims to identify the total cost associated with the entire life cycle of a product or service, taking into account design costs and all company costs related to the product. The cost-life-cycle method allows you to assess the costs of an asset throughout its lifecycle, which makes it possible to quantify the consequences of the decision and improve forecasts by understanding the compromise between performance and costs. Disadvantages include lack of data and high time consumption. The cost-life-cycle method is useful when launching a product that requires large initial capital flows.</p>
<p>Continuous cost management</p>	<p>This method is based on the cycle of continuous improvement involving all members of the organization, from top managers to ordinary workers. Therefore, the costing tool can increase productivity, gain a competitive advantage and increase overall performance. In addition, the continuous cost management method has the advantage of minimal implementation costs. In addition, this method has the advantage of minimal application costs. Like ABC, this method has been associated with a management system (Kaizen Management) dedicated to improving the effectiveness, efficiency, quality and overall performance of the organization. Improving the quality of processes and products increases company profits and customer loyalty.</p>

Source: processed by Tabitha, N., Ogungbade, I.I., Cost Accounting Techniques Adopted by Manufacturing and Service Industry within the Last Decade. *Int. J. Adv. Manag. Econ.* 2016, 5, 48–61.

Currently, the entire process of managerial accounting is undergoing a profound and paradigmatic digital transformation through AI, BD, BC, CC or IoT technologies. While CC makes BD storage and use possible, BD and IoT can be combined with AI technology. BD is a critical component of AI technology because it is based on machine learning. Through CC, collected cost and IoT data can be stored, and AI can effectively process and interpret these BDs, helping to support cost decisions. Therefore, new digital technologies are the basis for building more advanced, costly IT solutions, providing high-quality information with significant time and cost savings and contributing to accounting transparency and autonomy within multinational companies.

In terms of information transparency and reliability, BC technology can play a crucial role in contributing to information security activities. Manipulating cost records is extremely difficult



because they are shared by all network participants using cryptography. The cost accounting process can be considerably developed in multinational companies by adhering to every element of innovative technologies.

Life cycle cost is an essential tool that will lead to management accounting automation. CC combined with BD and IoT, has brought various benefits to the level of accounting within multinational companies. BD, in turn, is the vector underlying the use of AI technology in managerial accounting. BC can provide trust, reliability, transparency and accessibility for expensive tools that use digital technologies. Automation is not just an acceptance of technologies and their formal use. Automation in cost accounting in multinational companies involves a paradigm, structural change that will lead to new cost tools combined with new technologies. The new cost tools will come from existing IT solutions that integrate traditional or innovative tools, which will develop on the basis of the growing capabilities offered by new technologies: AI, BD, BC, CC or IoT.

Accountants are essential to building efficient and valuable accounting and management information systems in multinational companies. Their collaboration with IT specialists in the design and maintenance of IT systems, as creators and managers of information, can bring immense benefits in the field of accounting management. The role of efficient and valuable accounting and managerial information systems in information management is essential to ensuring the information needed for decision-making in multinational companies. New technologies are transforming the operational and tactical roles of cost accountants into strategic roles, with accounting information systems being the basis of essential decision-making processes.

4. The utility of financial accounting information in the basis of decisions

Performance reports, cost reports, budgets, forecasts and other types of reports are of particular importance in the work of managers. This information is normally provided by the cost accountant or the accounting manager working within multinational companies. The accounting manager relies on models of economic decisions, quantitative techniques for preparing such reports based on the specific needs of users in obtaining information of the type of production cost per product/service.

Table No. 3. Management's use of cost information

Information provided by the cost accounting system	Possible uses of the accounting system by management
1. The unit cost of a product, work or service.	<ul style="list-style-type: none"> • <i>Decisions on price fixing, production planning and cost control;</i> • <i>Decisions regarding the purchase, manufacture or abandonment of a product;</i> • <i>Decisions related to product portfolio management;</i> • <i>Assessment (measurement) and performance management.</i>
2. <i>The cost of operating a section, department, plant etc.</i>	• Decisions on organizational structure, improvement of the production process and business control.
3. Wage expenses related to a batch of products or a period.	• <i>Production planning, wage policies</i>



4. Waste volume and technological losses.	<ul style="list-style-type: none"> • Production planning, control of material expenditure.
5. Cost behavior depending on the level of activity.	<ul style="list-style-type: none"> • Profit estimation, make-or-buy outsourcing and cost control; • Decisions on ways to increase the performance of the company.
6. Cost analysis.	<ul style="list-style-type: none"> • <i>Decisions on cost reduction;</i> • <i>Decisions relating to product and customer management (maintenance, replacement, elimination);</i> • <i>Decisions on ways to increase the performance of the company;</i> • <i>Evaluation of the effects, measures taken/anticipated by the manager on costs.</i>

Source: (Budugan D., Berheci I., Georgescu I., Bețianu L., 2007, pp. 397)

Compared to financial accounting, the information in managerial accounting is more detailed and specific to the problem considered for decision-making. Management reporting is a part of the management accounting system that tries to summarize and present the desired information to different levels of management, at regular intervals, in order to evaluate performance and to undertake corrective actions if performance does not meet the expectations of companies.

Once transaction data has been collected, accounting principles, concepts, conventions and standards for data processing, information generation and information reporting must be complied with. Otherwise, the accounting information, however "robust" it may seem, could be considered useless. All completed monetary transactions must be recorded to provide basic information "needed for the preparation of financial statements, such as income statement, equity statement, cash flow statement" Ryan (2012). Financial statements provide a basis for comparative analysis. Financial information by two or more companies is compared for performance analysis purposes.

Furthermore, changes over time should be taken into account for all companies considered for comparison. In order to make comparative analysis viable, the principle of consistency, of continuity must be respected. Consistency requires companies to use similar accounting procedures over time. Moreover, the concept of significance requires a precise classification of all significant information. While reporting accounting information, the principle of conservatism must be observed, i.e. the company must report anticipated losses, but anticipated gains should not be until they take place, Pincus, et. all (2017).

The fundamental interdependence of assets, liabilities and equity is called an accounting equation. Assets are represented by the economic resources of present companies and generated from future flows (claims). Therefore, the accounting equation has the algebraic form expressed as Assets - liabilities = Equity. Based on this relationship, if two parts of the equation above are known, the third can be found by substitution. The balance sheet statement shall indicate the nature and value of the investment in the assets or resources of the companies and the claims to these assets in the form of liabilities and equity. In general, the position statement, which is often called the balance sheet, is drawn up in a horizontal format (in the form of the letter "T") which records the assets on the right, and the liabilities and equity on the left. Americans present the balance sheet in a horizontal format, but in the form of an account. Here, all assets are displayed on the left side and all liabilities and



equity are shown on the right side, matching each other. Currently, the balance sheet is drawn up in a vertical format, in which the statement of assets and liabilities and equity statements are presented underneath each other and the equation is established. This format is computer-friendly, Ryan (2012). The effects of transactions are recorded in the balance sheet through the accounting equation. In this regard, each monetary transaction involving the company can be analyzed according to its impact on the accounting equation. The process of determining the impact of the business transaction on the assets, liabilities and equity of the accounting equation is called transaction analysis. Transaction analysis indicates the increase and decrease of assets, liabilities or equity of companies. Different types of business transactions can affect the components of the accounting equation. If the transactions are countless, the system of accounting equations will fail to serve the purpose of recording equality between the balance sheet asset and liability. In these cases, accounting systems are designed to show in a separate record the increase and decrease of each item in the financial statement.

Also Ryan (2012) realizes that multiple accounts are needed to record all the transactions of a company, separate for revenue, expenditure, assets, liabilities and equity to generate systematic information. Whether a company adopts a manual or computerized system for recording commercial transactions, an appropriate account classification system is needed to facilitate accurate and meaningful accounting information. This is done in the general register.

A group of accounts for a company is listed in a register. In the manual accounting system, the register is a large book with a separate page for each account. In the computerized system, the registry is a set of reserved storage locations, with sub-locations reserved for each account, Drum & Pulvermacher (2016). In both cases, the General Register provides a summary of the effects of transactions, Pincus, et. al, (2017), on the different parts of financial statements. Each account must contain (1) the name of the account, (2) the account number (to help index), (3) the date column, (4) the peculiarities Column, (5) the sum column (debit and credit), (7) the balance column. The balance column is optional and depends on whether the register is prepared in a statement format or in a "T" format. The columns with the amount in the register accounts are identified as debits and credits. They indicate that a business transaction has a debit and a credit. Debits are recorded on the left and credits on the right in a "T" format. These entries will increase or decrease the balance of an account depending on the nature of the account. Furthermore, it should be noted that the amount of debit is equal to the value of the credit.

General registers are classified on the following attributes, Alarcon & Ng (2018):

- The multinational company will have relationships with a number of individuals or companies to whom the company either owes money or lends money. Such events are all classified in personal accounts.
- A multinational company will own several properties, such as: cash, assets, cars, buildings, etc. Accounts dealing with properties are classified in real accounts. The multinational company will also have sources of revenue, for example, revenues from sales, taxes, expenses. Accounts dealing with these forms of transactions will be classified as nominal accounts.

The classification of the general registry indicates that, in order to keep a complete record of transactions, a company must maintain three sets of classified accounts, i.e. personal, real and nominal accounts. Transactions are recorded on the principle of double entry: A transaction is an exchange in which the company "gives and receives" considerations of equal economic values. This means that a



transaction must be recorded taking into account the two aspects that affect at least two accounts, Kokina & Davenport (2017).

This dual aspect of transaction recording forms the basis for the double input principle that equates the amount of debits with credits or vice versa. Verifying the equality of debits and credits in each transaction gives the accountant some assurance that the full effect of the transaction has been recorded, Horngren, et. all (2006).

The recording of the dual aspects of each transaction is affected by compliance with debit and credit rules, Pincus, et all (2017). Double-party accounting and single part accounting are both practices used in accounting to record transactions and to keep company accounts up-to-date in the account balance. Double-party accounting refers to how business transactions are recorded in both debits and credits as separate accounts in the accounting register. In other words, double-party accounting refers to a system in which each transaction is recorded twice in the company registers. This approach creates a clear distinction between the two parts of a transaction, which is essential for establishing a solid accounting system for business reporting, tax compliance, and analysis.

Double-party accounting is a practice used by accountants to ensure that the cards are balanced. Each transaction must have a debit record and a credit input, and the total amount of debit records must be equal to the amount of the credit record.

General accounting accounts are flexible. This means that any number of accounts can be added as needed. If personal accounts and real accounts balance at the end of a given period, then they directly affect the balance sheet, with their balances representing assets (A), liabilities (P) and equity (CP). In the case of the nominal account, the balances become the central elements of the profit and loss account or the profits and losses account, and their final result ultimately affects the balance sheet, Drum & Pulvermacher (2016).

The result of the profit and loss account (profit or loss) will either be represented as an operation by increasing the owner's equity (profit) or by reducing his own capital (loss), or will be recorded as losses incurred (unadjusted losses) on the assets side of the balance sheet, Boylan & Boylan (2017). Transactions are recorded directly in the general register, classifying business activity by account type, not by transaction type. Although this facilitates the preparation of financial statements, transactions are not recorded in an orderly manner. When there are countless transactions in a company, analysing them in a chronological order becomes significant. Therefore, transactions are initially recorded in a chronological order in a raw paper called a journal. Since the recording of transactions comes from this book, hence the name of the original Input Book or First Entry Book. In this book transactions are analyzed by their chronological occurrence sequence, Kokina & Davenport, (2017).

However, the journal itself cannot help the accountant to draw up financial statements directly. Therefore, log entries are posted at account level, so setting the final balances for each account type becomes easy. Thus, automatically established final balances contribute to the rapid preparation of financial statements.

When balancing accounts, a accountant must find the largest total number and enter the difference on the bottom to equal the total amount. The closing scales are always transferred forward/down, and the opening scale is reduced back/down.

All asset (debit) accounts balances, all debt (credit) account balances and equity accounts (credits) balances should be transferred to the next year/period. Instead, all income account balances, including



profits and gains (credits) and all expenditure accounts, including losses (debits), should be transferred to the profit/loss account of the year/period to determine the net result of the activity. If the net result is the net profit/profit, it is transferred to the passive part of the balance sheet to be added to the equity, Ryan (2012). If the net result is the net loss, it is transferred to the passive part of the balance sheet to be deducted from the owner's capital. In the case of multinational companies, the net income/profit is transferred to the passive side of the balance sheet as the transferred result. If it is a net loss, it is transferred to the active part of the balance sheet as loss, Kokina & Davenport (2017).

Conclusions

The speed of global technological developments has changed the business environment and the role that accountants assume in this changing world. Accountants using digital technologies add value and support decision-making by integrating their financial knowledge with emerging technologies. In the light of automated accounting, accounting professionals with traditional accounting skills combined with applied digital technology skills ensure functionality in the current and future business environment.

Automated accounting combines elements from accounting theory, decision-making, system accounting, digital audit, process design, business and data analysis, blockchain, system analysis software development and digital application support. In this way, the transformation of the accounting function from digital accounting is total, from the need for skills, competences and information, to data precision for decision-making under minimum risk conditions.

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