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Article

Prospects of Using Information Technologies in the Transformation of National Financial Reporting

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Abstract: This article covers the prospects of applying information technologies in the transformation of national financial reporting, their role and significance, achieving time and labor efficiency in the preparation of financial reports using software products, preventing errors when working with large volumes of data, and completing tasks faster and with higher quality using programs based on information technologies rather than traditional methods. Additionally, the article addresses issues such as creating opportunities for global access to data through the implementation of databases and cloud technologies. Additionally, the article mentions that the creation, presentation, interpretation, and transmission of a company's financial reports using digital technologies become much more efficient and faster. It is also mentioned that the integrity and reliability of a company's financial reports are enhanced through software created with digital technologies. Additionally, these technologies allow for faster report generation and provide users with wide-ranging opportunities to access the reports from anywhere and make decisions. Additionally, the article discusses issues such as transforming the company's accounting system based on international financial reporting standards and thereby entering the global market with accurate and reliable information. It is specifically emphasized that the application of international financial reporting standards in the preparation of financial reports, studying their importance and necessity, and researching their theoretical and methodological aspects, provide a priority in attracting users of these financial reports, mainly investors. Additionally, the article highlights that the presentation of transparent and fully disclosed information sets serves as a reliable source.

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1. Introduction

Todays, companies are widely using various software in maintaining their financial reports and are transforming their national financial reporting to align with international standards by effectively applying information technologies. Let's first briefly dwell on what transformation is. **Transformation** (lot. Transformatio-reorganization, reformulation) 1) "Transformation of structures, forms and methods, change in the target orientation of activities"; 2) "One of the ways of transformation, conversion of norms of international law into norms of domestic law" (akademik.ru, n.d.).

Digital transformation is the rethinking of how employees work to collaborate more effectively with customers through modern technologies and data analysis (KPI, n.d.).

In order to increase the efficiency of accounting processes and save time in business entities, modern forms of accounting based on information technologies are being implemented. This approach has several advantages:

- Accelerating the processing of information in accounting documents;
- Reduces the number of employees involved in processing economic data and increases labor productivity;
- Ensures accuracy and consistency in accounting operations;
- Reduces costs associated with managing accounting operations.

Accounting automation software is currently used not only for performing calculations but also for collecting accounting data, processing it, completing report forms, and carrying out various other accounting tasks (Pratiwi, 2022).

2. Materials and Methods

In processing the data obtained during the research, methods such as logical observation (Khan, 2023), critical review of literature, analysis and synthesis, induction and deduction, comparison, classification based on specific criteria, SWOT analysis, modeling, systematic analysis, and economic analysis techniques were used (Nikiema, 2021).

3. Results

Regardless of ownership and sector, it is crucial for all economic entities to prepare their financial reports based on international standards rather than national standards. Financial reports prepared according to international standards allow foreign investors to review the reports and ease the process of investing their capital [3.1]. Today, there is a growing need to transform national financial reports, and many companies are undertaking this process. So, let's briefly address what financial report transformation is (Modi, 2022).

Financial report transformation is the process of reorganizing, re-recognizing, re-evaluating, and adjusting the components of financial reports prepared under national accounting standards to comply with international accounting standards. This involves transitioning the information into a new system of International Financial Reporting Standards (IFRS) and restructuring it accordingly [4.1].

Some websites define the transformation of national financial reports to international financial reporting standards as follows (Al-Ali, 2023).

Transformation of financial statements under IFRS is a reporting process that meets the requirements of IFRS by making adjustments to the statements prepared under national or other accounting standarts [5.1].

The service provides for the adaptation of the company's financial statements to the requirements of International Financial Reporting Standards (IFRS). This is necessary in order to provide a standard form and procedure for maintaining financial statements that allow you to understand and compare the financial results of various companies [6.1].

The transformation of national financial reports to international financial reporting standards has its own advantages and challenges. Although the implementation of international financial reporting standards is progressing rapidly, it is equally important to highlight and analyze the challenges that may arise during this process (see Figure 1).

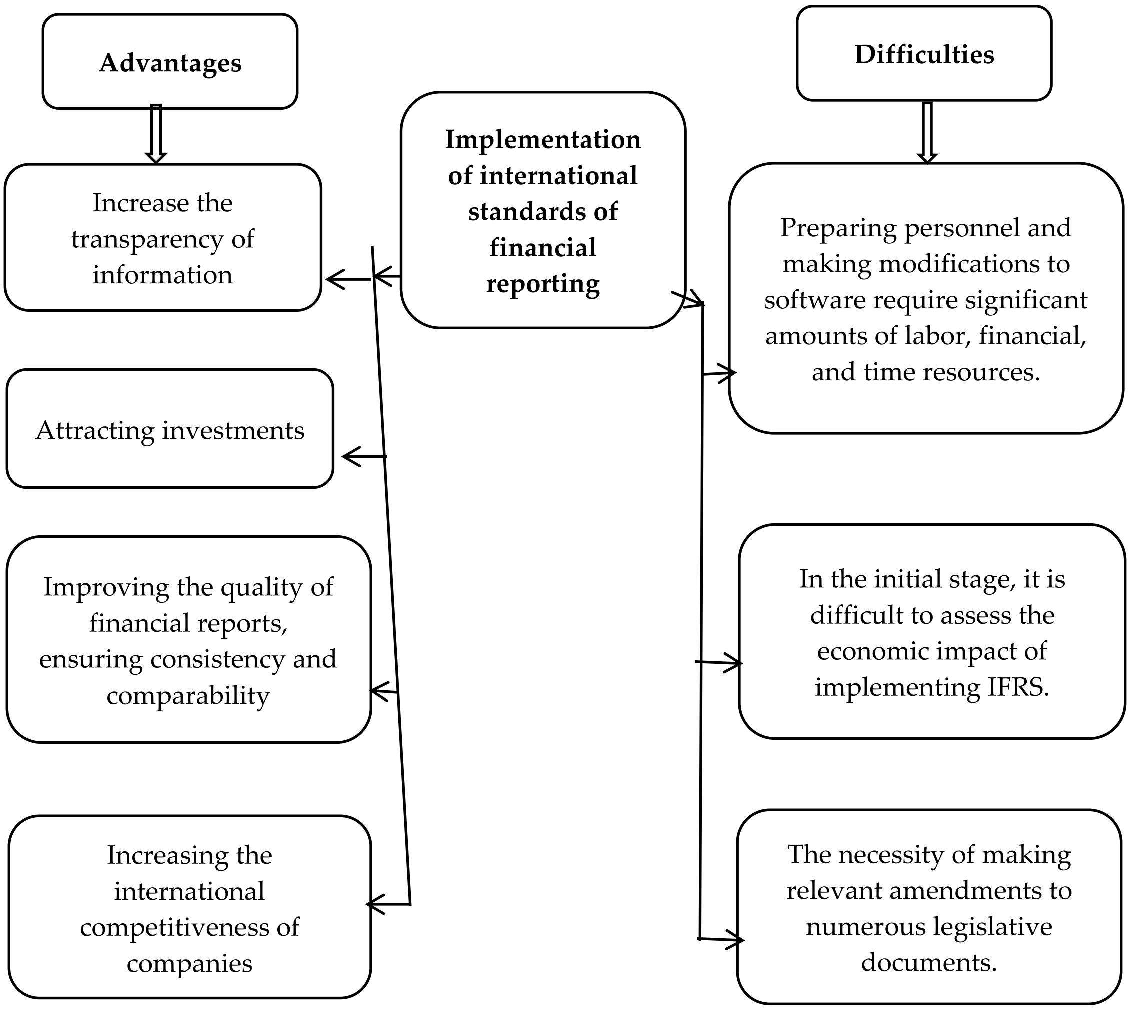

Figure 1. The implications of implementing International Financial Reporting Standards (IFRS) in practice.
Source: Author's development.

Successful digital transformation requires developing a clear strategy, investing in staff and infrastructure development, developing effective cybersecurity measures, and complying with relevant standards and regulatory requirements [7.1].

Organizing the use of information technologies in solving accounting tasks involves the entire process from the creation of primary accounting documents to the preparation of the final financial statements (Hadi, 2023).

In the context of the digital economy, organizing the accounting tasks of an enterprise based on information technologies ensures the following:

- Users of accounting data will have the ability to view and analyze information from any location;
- Formation of local and multi-level computing networks that ensure the integrated development of the economic functions of various departments within the enterprise;
- A unified distributed database for the enterprise will be created for various departments;
- The possibilities of generating primary accounting documents in software ensure the transition to paperless technologies and reduce the labor and time required for document collection and registration operations;
- The resolution of accounting tasks is integrated into complex systems.

The technological process carried out in an information system consists of three stages:

- Stage 1. This stage involves primary accounting, the creation of primary documents, their processing, and the preparation of analytical accounting records for each section of the accounting.
- Stage 2. This stage consists of creating entries and placing them in journals by account numbers, as well as in various registers of analytical and consolidated accounting.
- Stage 3. This stage consists of compiling consolidated accounting reports based on the account balances of the general ledger and preparing financial reporting forms, which is ensured by the main module of the "entry-general ledger-balance" computer program.

In recent years, the integration of information technologies (IT) in financial reporting has gained significant attention. As businesses and economies become increasingly globalized, the need for efficient, accurate, and transparent financial reporting systems has never been more critical (Buallay, 2022). National financial reporting systems, which are responsible for ensuring compliance with local and international regulations, are now undergoing a transformation thanks to the advent of new information technologies. This article explores the prospects of IT in transforming national financial reports, highlighting its potential to enhance efficiency, transparency, and adaptability.

1. Automation and Efficiency

One of the key benefits of using IT in financial reporting is the automation of data collection, processing, and analysis. Traditional methods of compiling financial statements often involve manual data entry and human intervention, which increases the likelihood of errors and delays. IT systems, particularly those leveraging artificial intelligence (AI) and machine learning, can streamline these processes by automatically collecting data from various sources, validating it, and generating financial statements in real-time (Wang, 2022).

Cloud-based financial management platforms, such as SAP, Oracle, and Microsoft Dynamics, allow for real-time updates and integration of financial data across different departments and even across different countries. This not only reduces the workload of financial professionals but also ensures greater accuracy and consistency in reporting. Moreover, automation can lead to significant cost savings by minimizing the need for labor-intensive processes and reducing the time required for report preparation.

2. Improved Transparency and Accuracy

The use of IT in financial reporting increases transparency and accountability. Blockchain technology, for example, has the potential to revolutionize financial reporting by creating immutable, tamper-proof ledgers. Blockchain's decentralized nature ensures that financial transactions can be traced and verified by all stakeholders in real-time. This minimizes the risk of fraud and manipulation of financial records, ensuring that the information presented in financial reports is accurate and reliable.

Additionally, automation reduces human errors that can often occur due to manual data handling. IT systems can flag inconsistencies, irregularities, or discrepancies in the data, which can then be corrected before the financial reports are finalized. This results in more accurate and dependable financial reports that better reflect the true financial position of an organization.

3. Adaptability to Changing Regulations

National and international financial regulations are constantly evolving, and keeping up with these changes can be challenging for financial professionals. IT solutions, however, can be designed to easily adapt to these regulatory changes. Automated financial reporting systems can be programmed to comply with new regulations by updating the necessary parameters and standards in the system. This ensures that organizations remain compliant with local and global financial reporting requirements.

For instance, the adoption of International Financial Reporting Standards (IFRS) has posed a challenge to many countries with differing national standards. With IT-enabled financial reporting systems, organizations can easily switch between different accounting standards depending on the requirements of the jurisdiction in which they operate. This level of flexibility allows organizations to maintain compliance while operating in multiple countries.

4. Big Data and Predictive Analytics

The integration of big data and predictive analytics into financial reporting is another exciting prospect. Big data refers to the massive volumes of structured and unstructured data that businesses generate daily. With the help of advanced IT systems, organizations can now process and analyze this data to gain insights that were previously impossible to obtain. Predictive analytics uses historical data and algorithms to forecast future financial trends, enabling organizations to make more informed decisions.

For example, organizations can predict future revenue, identify potential risks, and even forecast cash flow patterns using big data analytics. These predictive insights can be incorporated into financial reports, giving stakeholders a more comprehensive understanding of the financial outlook of an organization. This forward-looking approach to financial reporting is becoming increasingly important as businesses strive to remain competitive in a rapidly changing economic landscape.

5. Challenges in IT Integration

Despite the numerous benefits, the integration of IT into national financial reporting systems is not without its challenges. Data security is one of the primary concerns, as sensitive financial information becomes increasingly vulnerable to cyberattacks. Ensuring that robust cybersecurity measures are in place is crucial to protecting financial data from breaches and unauthorized access.

Additionally, the cost of implementing advanced IT systems can be prohibitive for smaller organizations and developing nations. The need for specialized training and expertise in managing these systems also presents a challenge, as organizations must invest in both technology and human capital to fully realize the benefits of IT integration.

To date, several IT companies have developed business automation programs and are providing services to clients through their software, as well as offering the use of this software to many other companies. Let’s take a look at the operating system of the ERP software from BASCO, a business automation company.

The BASCO ERP platform consists of the following sections:

CRM (Customer relationship management) module

- Consolidating and storing all customer interactions in a single database;
- Setting up reminders for contact times and providing sales scripts;
- Sales scripts for managers;
- Statistics on manager performance and the likelihood of product sales;
- Advertising statistics based on customer demographics;
- Filtering the customer database by sales manager, products being sold, customer location, and likelihood of product purchase;
- Monitoring and assessing the effectiveness of a manager’s work with customers;
- The ability for a manager to view all customer interactions within a specified time period [8.1].

Sales module

- Conducting transactions with customers in multiple currencies simultaneously;

- Setting product cost prices and sales prices, and viewing profit analysis;
- Selling products to customers or processing returns;
- Linking the product sales price to the exchange rate;
- The ability to view sales by individual managers, customers, and products separately;
- Account reconciliations with customers;
- Granting or revoking the rights for any manager to create, modify, or sell sales documents [8.2].

HR module

- The ability to maintain a single database of all job applicants and record and store their interactions;
- Alarm-reminder for the time to contact the personnel who want to get a job;
- Filtering job applicants by specialization, level of education, and location;
- Viewing the effectiveness of advertisements for job applicants by specialization, level of education, and location;
- Assessing the effectiveness of an HR employee's work with personnel;
- A comprehensive database of current employees;
- Employee birthday reminders;
- Managing time sheets for employees with different work schedules [8.3].

Billing module

- An individual KPI calculation system for each employee based on the sales amount and the money collected from customers;
- A system for calculating bonuses, penalties, and incentives for employees;
- A system for linking employees' utility deductions to their salaries;
- A personal payroll record for each employee;
- A flexible tool for managers to finalize payroll calculations;
- The ability to clearly view the overall payroll report through a unified table;
- Managing the company's sales and inventory accounting [8.4].

Cash module

- The ability to perform any operation related to cash funds;
- Conducting transactions in any type of currency;
- Simultaneously monitoring cash, bank accounts, and cash registers;
- The ability to perform currency conversion during cash transactions;
- The ability to record expenses made from the cash register [8.5].

Warehouse module

- Finished goods inventory;
- Receiving and issuing products in the warehouse;
- Reminders for low stock items;
- Warehouse reports [8.6].

Control department

- The ability for the supervisor to record daily fines, bonuses, and incentives on the same day;
- The ability for other employees in the company to view their own fines, bonuses, and incentives on their computers;
- The ability to monitor reminders for sales managers, such as deadlines for contacting customers;
- The ability to monitor employees' birthdays;
- The ability to monitor the HR department's interviews with new candidates [8.7].

Manager's department

- Viewing the profit report from product sales;
- The ability to add and remove users as desired for program access;
- The ability to conduct transactions in any currency and set exchange rates;
- Automatic KPI calculation based on sales or money collected for employees in any role;
- Easily viewing the history of customer interactions with daily updates [8.8].

As shown in the BASCO ERP platform, this automation software fully covers all departments of the enterprise and provides easy access to various reports. The study and generalization of the theories and practices related to this field, both abroad and in our country, have shown that large enterprises establish three levels of accounting management: management accounting, financial accounting, and tax accounting.

Organizing accounting into three levels-management accounting, financial accounting, and tax accounting-while applying information technology, is more effective as a specialized form of accounting. This is because many information technology programs used in practice separately organize the tasks of management accounting, financial accounting, and tax accounting.

The main feature of the information technology-based form of accounting is that it enables the creation of accounting registers in an automated manner using computer programs. These registers not only provide the necessary data for managing, controlling, and preparing accounting reports in an organized manner, but also allow for the summarization and grouping of information.

IT solutions provide dependable data storage, organisation, and retrieval. Advanced data analytics tools and methods help accountants analyse large datasets, identify trends, and make informed decisions [9.1].

One of the well-known cloud accounting systems is Enterprise Resource Planning (ERP). It is managed collectively, including all information from the company as well as supply chain management and customer order information. Accounting forms the core of the ERP system because accounting data are the key information managing all levels of business in an integrated manner. Therefore, they must be accurately aggregated [10.1].

Financial reporting serves as the cornerstone of transparency, accountability, and trust in the global economy. It provides stakeholders with vital information about an organization's financial performance, position, and cash flows, enabling informed decision-making and fostering investor confidence [11.1].

The primary purpose of financial reporting is to provide relevant, reliable, and timely information to stakeholders for making informed decisions. It serves as a communication tool, enabling transparency, accountability, and trust among stakeholders [12.1].

From the above, it can be said that the company's financial reports are considered important and necessary information. Therefore, effectively using information technology programs in such processes is deemed advisable.

4. Conclusion

Today, with the rapid development of information technologies and their benefits to enterprises, several key aspects can be considered:

1. Understanding the Role of Information Technologies:
   - Data Collection and Storage: Information technologies play a crucial role in the rapid and accurate collection, storage, and management of national financial reports.
   - Data Analysis: Modern technologies provide the capability to analyze large volumes of data, automate statistical calculations, and visualize data.
2. Data Automation
   - Automation of Calculations: Technologies enable the automation of financial calculations, reducing human errors and speeding up processes.
   - Software and Systems: Developing financial software and systems that comply with international and national standards.
3. Integration and Collaboration:
   - Integration with National and International Systems: Enhancing the integration of national financial systems with international systems through information technologies, improving data exchange and coordination capabilities.

- Databases and Cloud Technologies: Implementing databases and cloud technologies to create global access to data.

4. Security and Privacy:
   - Data Protection: Ensuring data security in information technologies, maintaining confidentiality, and implementing cybersecurity measures.
5. Advantages and Limitations:
   - Advantages: Automated systems enable faster, more accurate, and less error-prone calculations.
   - Limitations: Dependence on technology, technical errors, and the need for regular updates to software.
6. Prospects
   - Digital Transformation: Modernizing systems through the implementation of digital transformation processes in national financial systems.
   - Innovations: Exploring the potential of new technological innovations, such as artificial intelligence and blockchain technologies.

The prospects of using information technologies in transforming national financial reports are vast. Automation, improved transparency, adaptability to regulatory changes, and the use of big data and predictive analytics all point to a future where financial reporting becomes more efficient, accurate, and insightful. However, organizations must also navigate the challenges of data security, implementation costs, and the need for specialized expertise. As these technologies continue to evolve, they will play an increasingly vital role in shaping the future of national and global financial reporting systems.

Taking the above into account, it can be generally stated that using information technologies, particularly various software, in managing the accounting of enterprises, i.e., automating the process, is one of the key factors for the development and future prospects of the enterprise.

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