

CURRENT CHALLENGES OF THE ACCOUNTING PROFESSION

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Abstract

Although the accounting profession is not centrally regulated in the Czech Republic, several important institutional bodies perform regulatory and educational roles. These institutions also conduct professional examinations on various levels of accounting expertise. In this research paper, we learn from the opinions of accounting professionals, auditors, consultants and tax advisors as well as from the reflections of representatives of accounting associations on how the profession is adapting to current societal changes brought about by new technology and changes in society. To achieve this aim, we carried out semi-structured interviews with current representatives of the accounting profession in the Czech Republic. The need to rapidly adapt to new technological challenges, as well as apply new concepts are some of the key challenges for the accounting profession. According to previous findings, modern technology and digitization assist with data collection but do not simplify the analytical process, interpretation, and implications of empirical findings. In this vein, it is often claimed that new technology is used in an old manner and thus it is not bringing about the expected effect of its innovation. Furthermore, the frequently highlighted digitalization can also ease the misuse of data, and this is yet another chapter that needs to be explored in future research.

Key words: accounting profession, industry 4.0, digitalization, pandemic, new technology

JEL Code: G21, K34, M41.

Introduction

Demands in the accounting profession are increasing with the changing corporate environment and improving technology. In the era of automated data processing, AI and digitization advances are being forced upon us ever more rapidly.

In this paper, we explore the impact of recent changes on the administrative side of corporate life. In addition to this, we also investigate the effect of covid on the behaviour of the accounting profession.

This paper is structured as follows: Part one is the introduction. Part two summarizes the previous literature. Part three explains the methodology used, while part four delivers our findings. Part five provides the conclusions and limitations of the study and suggests areas for future development.

2 Previous literature

Accounting plays an important role in streamlining economic processes in all production and service segments starting at the company level. Carnegie, Parker and Tsahuridu (2021) highlight the social and moral aspects of accounting and propose a new definition of accounting for the 2020s to reach its true potential. The accounting profession was the subject of accounting research for many decades. Historically, accounting was predominantly understood as a technical discipline. The social aspects of accounting were highlighted later on by Hopper and Powell (1985). These authors have concentrated on the role of management accounting and its impact on society. However, the globalization of business, stronger regulations and numerous technological solutions and innovations have had an impact on the accounting profession. Gulin, Hladika and Valenta (2019) imply that the changes in the accounting profession are brought about by the new business environment and instruments enabled by modern technology. The accounting profession needs to adapt quickly to technological challenges and new ways of performing its role enabled by new information technology, the use of big data, artificial intelligence and digitalization. Changes in demands on the accounting profession from the organizational and technological perspectives were analysed by Henry and Hicks (2015), Stancheva-Todorova (2018), Mansour, Mohanna and Tremblay (2021). Recent challenges and opportunities for the accounting profession were brought about by the COVID-19 pandemic (Papadopoulou, S. and Papadopoulou, M., 2020).

In the Czech Republic, the challenges and changes in the accounting profession have been discussed by many authors since the major social and political change in 1989. However, not many papers have concentrated on the Czech accounting profession of recent years. The main authors who concentrated on the accounting profession include Strouhal and Kallaste (2010), who have explored accounting and education, while Strouhal (2012), researched the use of IFRS from the standpoint of the accounting profession. A broad international team of authors led by Romanian professors Catalin and Nadia Albu (2013) researched the impact of IFRS in emerging economies. Moreover, a series of papers authored by Kubickova and Jindrichovska 2015 and 2016 dealt with the accounting profession and its development and perception.

3 Methodology

Our research aims to explore how the profession adapts to the current societal changes brought about by new technology and changes in society. Therefore we have chosen a suitable research method directly addressing the participants in the process. We used the focus group method with semi-structured interviews, and interviewed representatives from across the accounting profession. This method is suitable for this investigation because we concentrate on a relatively narrow group of respondents directly involved in their respective profession. In this case, we concentrated on the accounting profession - auditing or taxation activities or education - a so-called focus group (Tyslová, Abrahám, Horváthová and Rubáček, 2020; Dai, Free and Gendron, 2019, and Tucker, 2020).

The focus group provides quality data gained directly from professionals in the field. The method represents structured discussions with a relatively small group of people. This method of qualitative enquiry is not suitable for all qualitative research, especially when dealing with sensitive issues or ethically complex topics. However, for our purposes, it enables us to gain deep insight from several perspectives, especially the perception of the changes in the requirements of the skills and expectations of the profession.

The sample of respondents selected for our interviewees ranges from experts in accounting and taxes, financial advisors, financial and investment directors and consultants, regulators from the state administration (Ministry of Finance), representatives of international and Czech accounting associations and professional organizations of tax advisors and auditors, internal auditors and others. Table 1 provides a complete list of interviewees and their characteristics.

Table 1. Interviewees

Interviewee	Professional characteristics	Institution (description)
I1	Manager of professional education	International accounting association
I2	Representative of professional organization	Czech accounting association
I3	Representative of state administration – regulator of accounting	Regulator – state administration

I4	Accounting software producer	Accounting software firm
I5	Auditor	Big Czech audit firm
I6	Accounting consultant	International audit firm – big four
I7	Auditor and tax advisor	Medium Czech audit firm
I8	Tax advisor	Professional organisation
I9	Auditor and tax advisor	International audit firm – non-big four
I10	Educational specialist – business	Business educational firm
I11	Head Controller	Advisory firm
I12	Accounting Lecturer	University

Source: own investigation

In our survey, we did not specify the professional position of the respondent. Answers were focused predominantly on the performance of the accounting profession in general, respectively, within the accounting department of companies. Semi-structured interviews were organised alongside the following questions (see table 2):

Table 2. Open questions

1	What new requirements for accounting professionals do you perceive?
2	In your opinion, what are the expert requirements for the accounting profession from the standpoint of regulators, tax advisors and auditors?
3	How do you perceive the impact of information technologies and industry 4.0 – automation and digitalization on the accounting profession?
4	Please characterize new challenges to the accounting profession initiated by the recent pandemic.
5	Could you please explain what new elements have become a part of the accounting profession?
6	Could you please explain your view on the place and importance of the accounting profession for business management?

Source: own investigation

The collected responses were recorded and transcribed to enable interpretation in context, including some interesting direct quotes from experts.

4 Results

The very first question for experts in the field of accounting reflects their view on new requirements for accounting professionals. Among the answers, we repeatedly encounter the need to improve knowledge of new technologies and to improve the ability to use existing available tools for data processing. The ongoing changes like the accountant's work are emphasized, as information technology replaces the routine accounting work to which the accountants previously devoted the largest share of their working time.

According to experts, the importance of an accountant's work is shifting from monotonous activities to highly professional work with accounting information, its assessment and interpretation. The accountant is required to cooperate with management, exercise economic judgement, and to be capable of providing relevant information in a timely manner: "*... it is possible to record a shift or return to the important position of the accountant as the right hand of the "director". Automation in the form of accounting software is removing monotonous and time-consuming data recording and sorting activities from the profession. Weight has shifted to the interpretation and use of information...*" [Educational specialist – business, Accounting]

The second question focused on the professional requirements from the point of view of regulators, tax advisors and auditors. Respondents most mentioned here requirements for knowledge of tax and accounting legislation and the ability to monitor changes in a timely manner and respond to them accordingly. They also consider knowledge international accounting standards, the ability to analyse data and the ability to provide support to managers in their strategic decisions to be important. However, these high demands on accounting professionals are contrasted with the practically non-existent conditions for the exercise of the accounting profession imposed by the state. Despite the high level of expertise that is required of accountants, a person without an in-depth economic education can obtain a trade licence to perform this work after completing a retraining course. In particular: "*..There is no oversight of the accounting profession. The associations that exist, for example, the Association of Accountants, the Chamber of Certified Accountants, etc., do not supervise accountants. There is no obligation for accountants to have liability insurance.*" [Auditor and tax advisor]

The impact of information technology and industry 4.0 - automation and digitization was the subject of another question. Here, experts underline the importance of the accountant's ability to present and interpret accounting information clearly and intelligibly. In connection with this, it is interesting that they perceive the growing importance of so-called soft skills:

"... in the performance of the accounting profession, not only the so-called 'hard skills' are important. If the accountant is not able to clearly and intelligibly present the numbers and other contexts that affect financial management, then it is a fault. So-called 'soft skills' are also important, i.e., for example, the ability to present results and interpret them." [Regulator – state administration]

Expertise in financial management, financial statements and procedures, as well as reporting and auditing are considered very important.

The COVID-19 pandemic marked a shift in the use of information technology in almost all areas of human activity. It was no different in the field of accounting. It has become clear that accounting can be performed automatically, but the accounting professional is irreplaceable in assessing and interpreting financial statements as well as checking their accuracy and giving accounting estimates. Undoubtedly it holds true that, *"the recent pandemic has pushed the accounting profession to more digitalization and better coordination due to remote work."* [CFO Advisory Committee of the Union of Accountants]

The authors of the research were also interested in what new elements have, according to the respondents, become part of the accounting profession. In the answers, we read again about the need to use appropriate software tools, mobile and other applications.

"A new element is certainly the electronic accounting documents and their transmission. Paper communication with the authorities and the transfer of accounting documents, tax returns, and other submissions to insurance companies is done electronically with electronic signatures." [Auditor and tax advisor]. The importance of expertise in financial management, financial statements and their interpretation is emphasized, as well as the importance of knowledge of auditing, tax issues and international reporting. Experts emphasize the importance of accountants' ability to speak on economic topics, i.e. the importance of communicative and language skills, including knowledge of the English language. Information technology enables the real-time processing of accounting data.

The final question explored the experts' view of the place and importance of the accounting profession to business management. Respondents identified the provision of information on the financial situation and performance of the company as the target function of the accounting profession.

"An accountant should be able to analyse accounting data that provides a timely and accurate picture of the state of the company, explain and prepare a financial plan."
[Accounting Lecturer] The accounting profession is considered essential for the management of the business because its goal is to provide the necessary basis for decisions about the status, development and future direction of the business.

Some thoughts occurred repeatedly in the answers to all six questions, as can be seen. This enabled us to perform a brief text analysis allowing us to find the most frequently mentioned currently relevant requirements for the accounting profession. Despite the variety of wordings, it was clear that experts perceived some of the demands on accountants as crucial. The following frequently mentioned requirements were identified:

- the ability to analyse and interpret accounting data,
- expertise in financial statements,
- financial planning ability,
- focus on non-financial reporting,
- IT knowledge,
- knowledge of international reporting,
- knowledge of tax and other legislation,
- language knowledge and communication skills,
- a willingness to learn.

Furthermore, the frequency of occurrence of answers of a given meaning was determined and the following graph was compiled:

Fig. 1. Current requirements for the Czech accounting profession



Source: own investigation

If we take a more detailed look at the most required skills, i.e., proficient use of information technology, we can conclude that the research participants consider the following issues as particularly important:

- experience in using software tools such as Excel, Power BI, PowerPoint, etc.,
- knowledge of trends in finance - big data, blockchain, etc.,
- control of communication tools such as Zoom, Teams, etc.

It can be concluded that the respondents most often highlighted 'hard skills' as stipulated above, whereas the 'soft skills', e.g. communication, interpretation, etc. were in a less prominent position.

5 Conclusion

This paper contributes to the literature stream on the accounting profession. Challenges for the accounting profession are reflected in the need for the rapid adoption of new technological procedures, but also the application of new concepts. This feature is typical for the whole area of non-financial reporting where suitable measures are still developing. In this research, we performed in-depth interviews using the specified focus group to gain knowledge about the changes in the role of accountants in an environment of digitalization and automation and the use of big data and artificial intelligence. Based on previous findings, modern technology eases data collection but does not simplify the analytical process and necessary interpretation of manifold empirical findings.

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